

FMG ACQUISITION CORP  
Form PRE 14A  
September 02, 2008

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission declares our registration statement effective. This proxy statement/prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION DATED SEPTEMBER 2,  
2008**

**PROXY STATEMENT FOR SPECIAL MEETING OF  
STOCKHOLDERS  
AND PROSPECTUS FOR UP TO 8,962,877 SHARES OF  
COMMON STOCK AND  
UP TO 1,306,627 COMMON STOCK PURCHASE  
WARRANTS OF  
FMG ACQUISITION CORP.**

Proxy Statement/Prospectus dated September [ ], 2008  
and first mailed to stockholders on or about September [ ], 2008

We are pleased to announce the boards of directors of FMG Acquisition Corp. ( FMG or the Company ), United Insurance Holdings, L.C. ( United ), and United Subsidiary Corp., a newly-incorporated Florida corporation and a wholly-owned subsidiary of FMG ( United Subsidiary ), have agreed to the purchase of all of the membership units of United by FMG, and to effect a merger whereby United Subsidiary will merge with and into United, with United surviving as a wholly-owned subsidiary of FMG. We are sending you this document to ask for your vote for the approval and adoption of this transaction, as well as for the approval and adoption of several related proposals.

On April 2, 2008, the Company entered into an Agreement and Plan of Merger, as amended and restated as of August 15, 2008 (the Merger Agreement ) pursuant to which United Subsidiary agreed to merge with and into United, and United agreed, subject to receipt of the merger consideration from FMG, to become a wholly-owned subsidiary of FMG (the Merger ). 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, will merge pursuant to a merger transaction summarized as follows:

FMG has formed a transitory merger subsidiary, United Subsidiary Corp., and will merge such subsidiary with and into United, with United surviving and United will, as a result, become wholly-owned by FMG.

United s members will receive consideration from FMG for their membership units of up to \$104,316,270 consisting of:

\$25,000,000 in cash;  
8,750,000 shares of FMG common stock, par value \$.0001 per share (assuming an \$8.00 per share value);

up to \$5,000,000 of additional consideration which will be paid to the members of United in the event certain net income targets are met by United, as set forth more particularly herein;  
1,093,750 newly issued common stock purchase warrants identical in all respects to the warrants issued in the Company's initial public offering;  
up to an additional 212,877 newly issued common stock purchase warrants identical in all respects to the warrants issued in the Company's initial public offering; and

up to an additional 212,877 shares of FMG common stock.

Our units, common stock and warrants are traded on the OTC Bulletin Board under the symbols FMGQU, FMGQ and FMGQW, respectively. On August 29, 2008, our units, common stock and warrants had a closing price of \$8.20, \$7.60 and \$0.59, respectively. The registration statement of which this proxy statement/prospectus is a part relates to the offering by FMG of up to 8,962,877 shares of FMG common stock and up to 1,306,627 warrants, each exercisable to purchase one share of FMG common stock.

The Board of Directors of the Company has fixed the close of business on September [ ], 2008, as the record date (the Record Date) for the determination of stockholders entitled to notice of and to vote at the Special Meeting and at any adjournment thereof.

**IF YOU RETURN YOUR PROXY CARD WITHOUT AN INDICATION OF HOW YOU DESIRE TO VOTE, YOU WILL NOT BE ELIGIBLE TO HAVE YOUR STOCK CONVERTED INTO A PRO RATA PORTION OF THE TRUST ACCOUNT IN WHICH A SUBSTANTIAL PORTION OF OUR IPO NET PROCEEDS ARE HELD. YOU MUST AFFIRMATIVELY VOTE AGAINST THE MERGER PROPOSAL AND DEMAND WE CONVERT YOUR STOCK INTO CASH NO LATER THAN THE VOTE ON THE MERGER PROPOSAL TO EXERCISE YOUR CONVERSION RIGHTS. IN ORDER TO CONVERT YOUR SHARES OF COMMON STOCK, YOU MUST ALSO PRESENT OUR STOCK TRANSFER AGENT WITH YOUR PHYSICAL STOCK CERTIFICATE AT OR PRIOR TO THE SPECIAL MEETING. SEE SPECIAL MEETING OF STOCKHOLDERS CONVERSION RIGHTS FOR MORE SPECIFIC INSTRUCTIONS.**

**SEE THE RISK FACTORS BEGINNING ON PAGE 25 FOR A DISCUSSION OF VARIOUS FACTORS YOU SHOULD CONSIDER IN CONNECTION WITH THE MERGER.**

Enclosed is our Notice of Special Meeting and proxy statement and proxy card. Your vote is very important. Whether or not you plan to attend the Special Meeting, please take the time to vote by marking your vote on your proxy card, signing and dating the proxy card, and returning it to us in the enclosed envelope. The Special Meeting will be held at 10:00 a.m. on at . **The Company's Board of Directors unanimously recommends Company stockholders vote FOR approval and adoption of the Merger Agreement, as well as all other proposals contained herein.**

Very Truly Yours,  
Gordon G. Pratt  
Chairman, President and Chief Executive  
Officer

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if the attached proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**UNTIL , 2008, ALL DEALERS THAT EFFECT TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALERS OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.**

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**FMG ACQUISITION CORP.  
Four Forest Park  
Farmington, Connecticut 06032**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON , 2008**

To the Stockholders of FMG ACQUISITION CORP.:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders ( Special Meeting ) of FMG Acquisition Corp., a Delaware corporation ( FMG or the Company ), relating to the proposed acquisition of all of the issued and outstanding membership units of United Insurance Holdings, L.C., will be held at 10:00 a.m. Eastern Time, on , 2008, at the offices of .

At the Special Meeting, you will be asked to consider and vote upon the following:

The Merger Proposal the proposed acquisition of all of the issued membership units of United Insurance Holdings, L.C., a Florida limited liability company, pursuant to the Agreement and Plan of Merger, dated as of April 2, 2008, as amended and restated on August 15, 2008, by and among the Company, United and United Subsidiary, and the transactions contemplated thereby ( Proposal 1 or the Merger Proposal );

The First Amendment Proposal the amendment to the Company s amended and restated certificate of incorporation (the First Certificate of Incorporation Amendment ), to remove certain provisions containing procedural and approval requirements applicable to the Company prior to the consummation of the business combination that will no longer be operative following consummation of the Merger ( Proposal 2 or the First Amendment Proposal );

The Second Amendment Proposal the amendment to the Company s amended and restated certificate of incorporation (the Second Certificate of Incorporation Amendment ), 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 );

The Third Amendment Proposal the amendment to the Company s amended and restated certificate of incorporation (the Third Certificate of Incorporation Amendment ), to change the name of the Company to United Insurance Holdings Corp. ( Proposal 4 or the Third Amendment Proposal );

The Director Proposal to elect three (3) directors to the Company s Board of Directors nominated by United pursuant to the Merger Agreement to hold office until their successors are elected and qualified ( Proposal 5 or the Director Proposal );

The Adjournment Proposal to consider and vote upon a 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, the Company would not have been authorized to consummate the Merger ( Proposal 6 or the Adjournment Proposal ); and

such other business as may properly come before the meeting or any adjournment or postponement thereof.

These proposals are described in the attached proxy statement/prospectus which the Company urges you to read in its entirety before voting. The Board of Directors of the Company has fixed the close of business on , 2008, as the record date (the Record Date ) for the determination of stockholders entitled to notice of and to vote at the Special Meeting and at any adjournment thereof.

As described more fully in the attached proxy statement/prospectus, FMG has entered into (1) a private placement with various accredited investors for the purchase of its 11% promissory notes (the Notes ) and (2) an exchange offer

made available to certain institutional holders of FMG common stock wherein such holders will be permitted to exchange their shares of common stock for the Notes. FMG expects to use the cash proceeds from the private placement (approximately \$10,000,000), combined with its cash on hand

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reserved for stockholders that may exercise their conversion rights (approximately \$11,200,000), and if necessary, up to \$5,500,000 of cash on hand from United to commence a tender offer for the purchase of up to 3,320,762 shares of its common stock at a price of \$8.05 per share. The maximum number of shares FMG may purchase in the tender offer will be reduced by the number of shares for which conversion rights are exercised. The tender offer began on August 29, 2008 and ends at 5:00 p.m. Eastern Daylight Time on September 29, 2008. However, if FMG stockholders do not approve Proposals 1, 2, 3 and 5, or if either of the Merger or the private placement do not close, FMG will not close the tender offer. For a description of the tender offer, please see the section entitled Tender Offer.

**Your vote is important.** Please sign, date and return your proxy card as soon as possible to make sure your shares are represented at the Special Meeting. If you are a stockholder of record of the Company's common stock, you may also cast your vote in person at the Special Meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your shares.

The Board of Directors of FMG Acquisition Corp. unanimously recommends 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.

By Order of the Board of Directors,  
Gordon G. Pratt  
Chairman of the Board,  
President and Chief Executive Officer  
, 2008

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## **QUESTIONS AND ANSWERS ABOUT THE PROPOSALS**

Unless the context requires otherwise, the terms "FMG," "we," "us," "our" and "the Company" refer to FMG Acquisition

### **Why am I receiving this proxy statement?**

You are receiving this proxy statement because you are a stockholder of FMG. FMG, United and United Subsidiary have agreed to a business transaction under the terms of an Agreement and Plan of Merger dated April 2, 2008, as amended and restated on August 15, 2008 (the "Merger Agreement"), pursuant to which FMG will purchase all of the membership units of United. A copy of the Merger Agreement is attached to this proxy statement/prospectus as Annex A, which we encourage you to review in its entirety. The Merger is structured such that United will become wholly-owned by FMG in a series of steps as outlined below. FMG and United will merge pursuant to a merger transaction summarized as follows:

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

United's members will receive consideration from FMG for their membership units of up to \$104,316,270 consisting of:

\$25,000,000 in cash;

8,750,000 shares of FMG common stock, par value \$.0001 per share (assuming an \$8.00 per share value); up to \$5,000,000 of additional consideration which will be paid to the members of United in the event certain net income targets are met by United, as set forth more particularly herein;

1,093,750 newly issued common stock purchase warrants identical in all respects to the warrants issued in the Company's IPO;

up to an additional 212,877 newly issued common stock purchase warrants identical in all respects to the warrants issued in the Company's IPO; and

up to an additional 212,877 shares of FMG common stock.

In order to consummate the Merger, a majority of the shares issued in the IPO voting at the meeting (whether in person or by proxy) must vote to approve and adopt the Merger Agreement and the transactions contemplated thereby. Further, the Merger may not be consummated if more than 29.99% of such shares vote against the Merger and elect to convert their shares to cash from the trust account established with the proceeds of our IPO.

The Company will hold a Special Meeting of its stockholders to obtain these approvals. In connection with the Merger, this proxy statement/prospectus contains important information about the proposed Merger, the proposed First Certificate of Incorporation Amendment, the proposed Second Certificate of Incorporation Amendment, the proposed Third Certificate of Incorporation Amendment and the Director Proposal.

This proxy statement/prospectus also contains important information about the proposed Director election and proposed Adjournment. You should read it carefully; in particular the section entitled Risk Factors.

Your vote is important. We encourage you to vote as soon as possible after carefully reviewing this proxy statement.

## What is being voted on?

There are six proposals on which you are being asked to vote. The first proposal is to approve the Merger among FMG, United and United Subsidiary and the transactions contemplated thereby.

The second proposal is to approve the First Amendment to our Certificate of Incorporation to remove certain provisions that are specific to blank check companies. This proposal is conditioned upon approval of the Merger Proposal.

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The third proposal is to approve the Second Amendment to our Certificate of Incorporation to increase the amount of authorized shares of common stock from 20,000,000 to 50,000,000. This proposal is conditioned upon approval of the Merger Proposal.

The fourth proposal is to approve the Third Amendment to our Certificate of Incorporation to change the name of the Company to United Insurance Holdings Corp. This proposal is conditioned upon approval of the Merger Proposal.

The fifth proposal is to elect additional members to the Company's Board of Directors nominated by United. We have nominated the Class B directors (consisting of Messrs. Gregory C. Branch, Alec L. Poitevint, II and Kent G. Whittemore) for election. Under the Merger Agreement, United has the right to nominate, and the Company has



agreed to cause the appointment and election of, the foregoing three additional members to the Board of Directors of FMG. If the Merger is approved, then the directors of FMG will be Gregory C. Branch, Alec L. Poitevint, II, Gordon G. Pratt, Larry G. Swets, Jr., Kent G. Whittemore and James R. Zuhlke. In the event the fifth proposal is approved by the stockholders, two of the Company's current directors, Thomas D. Sargent and David E. Sturgess, will immediately resign from the Board of Directors upon consummation of the Merger. This proposal is conditioned upon approval of the Merger Proposal.

The sixth proposal is to approve the adjournment of 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, the Company would not have been authorized to consummate the Merger.

It is important for you to note that in the event the Merger Proposal does not receive the necessary vote to approve such proposal, then the Company will not consummate the Merger or be permitted to implement the First, Second or Third Amendment or director proposals.

## **Are the proposals conditioned on one another?**

Yes. Proposals 2, 3 and 5 are all conditioned upon approval of Proposal 1, The Merger Proposal, and consummation of the Merger is conditioned on Proposals 1, 2, 3 and 5 being approved in accordance herewith.

## **What happens if I vote against the Merger?**

Each Company stockholder as of the Record Date has the right to vote against the Merger Proposal and, at the same time, demand the Company convert such stockholder's shares into cash equal to a pro rata portion of the trust account. These shares will be converted into cash only if a stockholder votes against the Merger Proposal, affirmatively elects to have its shares of common stock converted and such Merger is consummated. Based upon the amount of cash held in the trust account as of June 30, 2008, without taking into account any interest or income taxes accrued after such date, stockholders who vote against the Merger Proposal and elect to convert such stockholder's shares as described above will be entitled to convert each share of common stock it holds into approximately \$7.91 per share (after a provision for payment of working capital costs and taxes). However, if the holders of 1,419,615 or more shares of common stock issued in the Company's IPO (an amount equal to 29.99% of the total number of shares issued in the IPO) vote against the Merger and demand conversion of their shares into a pro rata portion of the trust account, then the Company will not be able to consummate the Merger and, assuming the Company is not able to consummate another business combination by October 4, 2009, stockholders will only receive cash upon the liquidation of the Company. Furthermore, if more than 29.99% of the total number of shares issued in the IPO vote against the Merger Proposal, the Merger will not occur.

## **Why is FMG proposing to enter into the private placement?**

Pursuant to the terms of a note purchase agreement between FMG and various accredited investors, FMG will issue promissory notes having a face value of \$18,279,570 (the Notes), as soon as practicable following the Special Meeting (assuming Proposals 1, 2, 3 and 5 are approved). The Company will pay interest on the Notes at 11% per annum and the maturity date of the Notes will be three years from the date of issuance. This transaction is referred to herein as the private placement. FMG intends to use the proceeds from the private placement to commence a tender offer for the purchase of its common stock, which such tender offer commenced on August 29, 2008 and ends at 5:00 PM Eastern Daylight Time on September 29, 2008, at a

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price of \$8.05 per share. If FMG stockholders do not approve Proposals 1, 2, 3 and 5, FMG will not close the private placement and will withdraw the tender offer. For a description of the tender offer, please see the section entitled Tender Offer.

## **When do you expect the private placement to be completed?**

It is currently anticipated that the transactions and actions contemplated by the note purchase agreement will be completed as soon as practicable following the Special Meeting.

## **Why is FMG proposing to enter into the exchange offer?**

An exchange offer was made available to certain institutional holders of FMG common stock wherein such holders agreed to exchange their shares of common stock for the Notes. FMG will exchange 869,565 shares of FMG common stock owned by these stockholders (equal to 18.4% of FMG's common stock issued in the IPO) into Notes having a face value of \$7,526,882, as soon as practicable following the Special Meeting (assuming Proposals 1, 2, 3 and 5 are approved). This transaction is referred to herein as the exchange offer. FMG's management believes that the exchange offer will enhance the likelihood of stockholder approval of Proposals 1, 2, 3 and 5. If FMG stockholders do not approve Proposals 1, 2, 3 and 5, or the private placement does not close, the exchange offer will not close.

## **Who can participate in the exchange offer?**

The securities that the Company will issue in the exchange offer will not be registered under the Securities Act. Accordingly, the exchange offer was limited to sophisticated investors defined as accredited investors or qualified institutional buyers under U.S. securities laws.

## **When do you expect the exchange offer to be completed?**

It is currently anticipated that the transactions and actions contemplated by the exchange offer will be completed as soon as practicable following the Special Meeting.

## **What effect will the private placement and exchange offer have on the capital structure and control of FMG?**

The Notes FMG intends to issue in the private placement and exchange offer will not be convertible into shares of FMG common stock. Accordingly, holders of the Notes will not be permitted to vote on matters brought before FMG stockholders. However, the note purchase agreement will include negative covenants, which will restrict the Company from engaging in certain activities, as more particularly described herein.

## **What is the tender offer?**

On August 29, 2008, FMG commenced a tender offer to purchase up to 3,320,762 shares of its common stock (reduced by the number of shares for which conversion is elected), representing approximately 70.2% of FMG's common stock issued in the IPO, at \$8.05 per share, payable in cash. The tender offer will offer liquidity to FMG's stockholders at \$8.05 per share, regardless of the then-current market price per share, subject to proration if the tender offer is oversubscribed. Assuming the maximum number of shares are tendered, the aggregate purchase price for the

shares of common stock of FMG purchased in the tender offer will be approximately \$26,732,134. If FMG stockholders do not approve Proposals 1, 2, 3 and 5, or if either of the private placement or the Merger does not close, FMG will not consummate the tender offer. For a more detailed discussion of the tender offer, see the section entitled The Tender Offer.

## **What is the source of funds for the tender offer?**

FMG expects to use the cash proceeds from the private placement (approximately \$10,000,000) combined with its cash on hand reserved for stockholders that may exercise their conversion rights (approximately \$11,200,000) and if necessary, up to \$5,500,000 of cash on hand from United to commence a tender offer for the purchase of up to 3,320,762 shares of its common stock at a price of \$8.05 per share. The maximum number of shares we may purchase in the tender offer shall be reduced by the number of shares for which conversion rights are exercised. The tender offer began on August 29, 2008 and ends at 5:00 PM Eastern Daylight Time on September 29, 2008. However, if FMG stockholders do not approve Proposals 1, 2, 3 and 5, or if either of the private placement or the Merger do not close, FMG will not consummate the tender offer.

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## **Why is FMG's management proposing the tender offer?**

FMG's management is proposing the tender offer to provide a liquidity opportunity for at least part of the FMG shares held by those stockholders who desire liquidity for their shares. FMG's management believes the tender offer will enhance the likelihood of stockholder approval of Proposals 1, 2, 3 and 5.

## **Who can participate in the tender offer?**

Any stockholder of FMG at the time of the tender offer may participate in the tender offer. However, FMG's founding stockholders, its officers, directors and its sponsor have agreed not to tender any of their respective shares in the tender offer.

## **When does FMG expect to commence and close the tender offer?**

FMG expects to commence the tender offer on the date of the mailing of this proxy statement to our stockholders and to close the tender offer 20 business days thereafter. If FMG stockholders do not approve Proposals 1, 2, 3 and 5, and if either the private placement or the Merger do not close, FMG will not consummate the tender offer.

## **What effect will the tender offer have on the capital structure and control of FMG?**

Assuming the consummation of the private placement and exchange offer, the tender offer will be for 3,320,762 shares of common stock (reduced by the number of shares for which conversion is elected) or approximately 70.2% of stock issued in the IPO. If the maximum number of shares are tendered, the Company will have 10,476,704 shares outstanding following the tender offer. In such an event, our officers, directors and affiliates will own approximately 11.1% of our common stock (before taking into account any forfeiture for United). These percentages are based on

FMG's outstanding shares as of June 30, 2008 and assumes no exercise of any of our outstanding warrants.

## **Why is the Company proposing the First Amendment to its Certificate of Incorporation?**

Currently, the Company's certificate of incorporation contains provisions specific to blank check companies.

Specifically, the Third, Fifth and Sixth Articles of the Company's amended and restated certificate of incorporation contain provisions that will not apply to the Company following consummation of the Merger. Article Third limits the powers and privileges conferred upon the Company to dissolving and liquidating in the event a business combination is not consummated prior to October 4, 2009. Article Fifth provides that the Company's corporate existence will terminate on October 4, 2009 and mandates that an amendment to this Article allowing continued corporate existence be submitted to stockholders along with the Merger Proposal. Article Sixth provides the procedural steps required for the approval of a business combination and the exercise of conversion rights. Assuming the Merger is consummated, the provisions of Articles Third and Sixth will no longer apply to the Company, and the Company will be obligated to amend Article Fifth in order to extend the corporate life of the Company beyond October 4, 2009.

## **Why is the Company proposing the Second Amendment to its Certificate of Incorporation and are there any other issuances of common stock contemplated by the Company other than in connection with the Merger Proposal?**

Currently, the Company is authorized to issue up to 20,000,000 shares of common stock. There are 5,917,031 shares of common stock currently outstanding and 6,883,625 shares of common stock issuable upon the exercise of our outstanding warrants and the underwriters purchase option. In order to have sufficient authorized shares of common stock to cover the common stock issuable pursuant to the Merger Agreement and for general corporate purposes, the Company will need to increase its authorized common stock if the Merger is approved. Other than in connection with the Merger, there are no plans to issue any other shares of common stock or other securities convertible into common stock.

## **Why is the Company proposing the Third Amendment to its Certificate of Incorporation?**

In the judgment of our Board of Directors, the change of our corporate name to United Insurance Holdings Corp. is desirable to maintain the branding of the insurance operations and to reflect our merger with United.

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## **If I am not going to attend the Special Meeting in person, should I return my proxy card instead?**

Yes. Whether or not you plan to attend the Special Meeting, after carefully reading and considering the information contained in this proxy statement, please complete and sign your proxy card. Then return the enclosed proxy card in the return envelope provided herewith as soon as possible, so your shares may be represented at the Special Meeting.

## **What will happen if I abstain from voting or fail to vote at the Special Meeting?**

The Company will count a properly executed proxy marked ABSTAIN with respect to a particular proposal as present for purposes of determining whether a quorum is present. For purposes of approval, an abstention or failure to vote on the Merger will have no effect on the proposal, provided a quorum is present, and will not have the effect of converting your shares into a pro rata portion of the trust account in which a substantial portion of the net proceeds of the Company's IPO are held. In order for a stockholder to convert his or her shares, he or she must cast a vote against the Merger Proposal and make an affirmative election on the proxy card to convert such shares of common stock. An abstention from voting on any of the First Amendment Proposal, Second Amendment Proposal or Third Amendment Proposal, or the Adjournment Proposal, will have the same effect as a vote against these proposals. An abstention from the Director Proposal will not have the effect of voting against such proposals.

## **What will happen if I sign and return my proxy card without indicating how I wish to vote?**

Stockholders will not be entitled to exercise their conversion rights if such stockholders return proxy cards to the Company without an indication of how they desire to vote with respect to the Merger Proposal or, for stockholders holding their shares in street name, if such stockholders fail to provide voting instructions to their brokers. Proxies received by the Company without an indication of how the stockholders intend to vote on a proposal will be voted in favor of such proposal.

## **If my shares are held in street name by my broker, will my broker vote my shares for me?**

If you hold your shares in street name, your bank or broker cannot vote your shares with respect to the Merger Proposal, the First Amendment Proposal, the Second Amendment Proposal, the Third Amendment Proposal or the Adjournment Proposal without specific instructions from you, which are sometimes referred to in this proxy statement as the broker non-vote rules. If you do not provide instructions with your proxy, your bank or broker may deliver a proxy card expressly indicating that it is NOT voting your shares; this indication that a bank or broker is not voting your shares is referred to as a broker non-vote. Broker non-votes will be counted for the purpose of determining the existence of a quorum, but will not count for purposes of determining the number of votes cast at the Special Meeting. Your broker can vote your shares only if you provide instructions on how to vote. You should instruct your broker to vote your shares in accordance with directions you provide to your broker.

## **What do I do if I want to change my vote?**

If you desire to change your vote, please send a later-dated, signed proxy card to our corporate Secretary, Larry G. Swets, Jr. at FMG Acquisition Corp. prior to the date of the Special Meeting or attend the Special Meeting and vote in person. You also may revoke your proxy by sending a notice of revocation to Larry G. Swets, Jr. at the address of the Company's corporate headquarters, provided such revocation is received prior to the Special Meeting.

## **Will I receive anything in the Merger?**

If the Merger is consummated and you vote your shares against the Merger Proposal but do not affirmatively elect conversion or you abstain, you will not receive a cash conversion of your shares upon the completion of the Merger. If

the Merger is consummated but you have voted your shares against the Merger Proposal and have elected a cash conversion, your shares of Company common stock will be cancelled and you will be entitled to receive cash equal to a pro rata portion of the trust account, which, as of June 30, 2008, was equal to approximately \$7.91 per share (after a provision for payment of working capital costs and taxes); provided, however, you must deliver your physical certificates to the Company's stock transfer agent prior to the date of the Special Meeting.

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## **How is the Company paying for the Merger?**

The \$104,316,270 cost of the Merger will be funded with (1) \$25,000,000 of cash drawn from the cash currently in the Company's trust account, (2) the Company issuing 8,750,000 shares of common stock, valued at \$70,000,000, based on a price of \$8.00 per share; (3) the Company issuing 1,093,750 common stock purchase warrants, based on an exercise price of \$6.00 per warrant share, (4) the Company issuing up to an additional 212,877 shares of common stock, valued at up to \$1,703,016 based on a price of \$8.00 per share, (5) the Company issuing up to an additional 212,877 common stock purchase warrants, based on an exercise price of \$6.00 per warrant share and (6) up to \$5,000,000 of additional consideration which will be paid to the members of United in the event certain net income targets are met by United, as set forth more particularly herein.

## **Will I experience dilution as a result of the Merger?**

Prior to the Merger, those stockholders who hold shares issued in the Company's IPO owned approximately 80.0% of our issued and outstanding common stock. After giving effect to the Merger and to the shares of common stock to be issued to United in connection with the Merger, and assuming no exercise of the warrants then outstanding, the Company's current public stockholders will own approximately 32.3% of the Company post-Merger.

## **Do I have conversion rights in connection with the Merger?**

If you hold shares of common stock issued in the Company's IPO, then you have the right to vote against the Merger Proposal and demand the Company convert your shares of Company common stock into a pro rata portion of the cash in the trust account. The right to vote against the Merger and demand conversion of your shares into a pro rata portion of the trust account is sometimes referred to herein as conversion rights.

## **If I have conversion rights, how do I exercise them?**

If you desire to exercise your conversion rights, you must vote against the Merger Proposal and, at the same time, demand the Company convert your shares into cash by marking the appropriate space on the proxy card. If, notwithstanding your vote, the Merger is consummated, then you will be entitled to receive a pro rata share of the trust account in which a substantial portion of the net proceeds of the Company's IPO are held, including any pro rated interest earned thereon through the date of the Special Meeting. Based on the amount of cash held in the trust account as of June 30, 2008, without taking into account any interest or income taxes accrued after such date, you would be entitled to convert each share of Company common stock that you hold into approximately \$7.91 per share (after a provision for payment of working capital costs and taxes). If you exercise your conversion rights, then you will be exchanging your shares of Company common stock for cash and will no longer own these shares of common stock. You will only be entitled to receive cash for these shares if you tender your stock certificates to the Company's stock transfer agent at any time at or prior to the vote at the Special Meeting. If you convert your shares of common stock

but you remain in possession of the warrants and have not sold or transferred them, you will still have the right to exercise the warrants received as part of the units purchased in the IPO in accordance with the terms thereof. If the Merger is not consummated: (i) then your shares will not be converted into cash at this time, even if you so elected, and (ii) assuming we are unable to consummate another business combination by October 4, 2009, we will commence the liquidation process and you will be entitled to distribution upon liquidation. See Conversion Rights at page 44.

You will be required, whether you are a record holder or hold your shares in street name, either to tender your certificates to our transfer agent or to deliver your shares to the Company's transfer agent electronically using the Depository Trust Company's DWAC (Deposit/Withdrawal At Custodian) System, at your option, at any time at or prior to the vote at the Special Meeting. There is typically a \$35 cost associated with this tendering process and the act of certificating the shares or delivering them through the DWAC system. The transfer agent will typically charge the tendering broker this \$35, and the broker may or may not pass this cost on to you.

As the delivery process can be accomplished by you, whether or not you are a record holder or your shares are held in street name, within a business day, by simply contacting the transfer agent or your broker and requesting delivery of your shares through the DWAC System, we believe you will have sufficient time

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from the time we send out this proxy statement through the date of the Special Meeting to deliver your shares if you wish to exercise your conversion rights.

Any request for conversion, once made, may be withdrawn at any time up to immediately prior to the vote on the Merger Proposal at the Special Meeting (or any adjournment or postponement thereof). Furthermore, if you delivered a certificate for conversion and subsequently decided prior to the meeting not to elect conversion, you may simply request that the transfer agent return the certificate (physically or electronically) to you. The transfer agent will typically charge an additional \$35 for the return of the shares through the DWAC system.

Please note, however, that once the vote on the Merger Proposal is held at the Special Meeting, you may not withdraw your request for conversion and request the return of your stock certificate (either physically or electronically). If the Merger is not completed, your stock certificate will be automatically returned to you.

## **How much time do I have to decide whether to exercise my conversion rights?**

You will have approximately twenty days from the date of this proxy statement/prospectus to determine whether to exercise your conversion rights, at which time you must vote on the Merger Proposal and, if voting against the Merger Proposal, also vote to exercise your conversion rights. You may not exercise your conversion rights following the stockholder vote on the Merger Proposal at the Special Meeting.

## **What happens to the funds deposited in the trust account after completion of the Merger?**

Upon consummation of the Merger, a portion of the funds remaining in the trust account after payment of amounts, if any, to stockholders demanding and exercising their conversion rights, will be used to pay expenses associated with the Merger, to pay any amounts necessary to consummate the tender offer (to the extent funds received from the sale

of the Notes is insufficient therefor) and to fund working capital of the combined company. In addition, up to \$1,514,760 will be used to pay deferred underwriter's compensation from the Company's IPO.

## **What happens if the Merger is not consummated?**

If the Merger is not consummated, the Company may seek another suitable business combination and none of the private placement, the exchange offer or the tender offer will be consummated. Depending upon the timing and success of such efforts, the Company may be forced to liquidate if it cannot consummate another business combination by October 4, 2009. If a liquidation were to occur by approximately October 4, 2009 (the last day on which the Company would be permitted to consummate an acquisition under its amended and restated certificate of incorporation), the Company estimates approximately \$850,000 in interest, less applicable federal, state and Delaware franchise taxes, would accrue on the amounts that are held in trust through such date, which would yield a trust balance of approximately \$37.5 million or approximately \$7.91 per share (after taking into account disbursements for working capital purposes). This estimate includes the \$2,764,760 proceeds from the sale of the Company's sponsor warrants and deferred underwriter fees owed to the underwriters from IPO. This amount, less any liabilities not indemnified by certain officers and members of the Company's Board and not waived by the Company's creditors, would be distributed to the holders of the 4,733,625 shares of common stock purchased in the Company's IPO.

Separately, the Company estimates the liquidation process would cost approximately \$50,000. FMG Investors LLC, our sponsor, has acknowledged and agreed that such costs are covered by its existing indemnification agreement. We do not believe there would be any claims or liabilities in excess of the funds out of the trust against which would be required to indemnify the trust account in the event of such liquidation. In the event our sponsor is unable to satisfy its indemnification obligation or in the event there are subsequent claims such as subsequent non-vendor claims for which our sponsor has no indemnification obligation, the amount ultimately distributed to stockholders may be reduced even further. However, the Company currently has no basis to believe there will be any such liabilities or to provide an estimate of any such liabilities since to date the Company has only entered into a limited number of agreements and has obtained waivers whenever possible. The only cost of dissolution the Company is aware of that would not be indemnified against by such officers and directors of the Company is the cost of any associated litigation for which officers and directors obtained a valid and enforceable waiver. Should the Merger Agreement be terminated due to a breach of such

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agreement by any of the Company, United Subsidiary, or United or due to the Company's failure to obtain the Company stockholder approval, then each party would be responsible for its own expenses; provided, however, if the Merger Agreement is not consummated as a result of the failure to obtain the consent of United's members, United shall be obligated to pay the Company for all costs, expenses and fees incurred in connection with the Merger, up to a maximum of \$500,000.

## **When do you expect the Merger to be completed?**

Assuming the approval of the Merger Proposal, it is currently anticipated the Merger and other proposals will be completed as promptly as practicable following the Special Meeting of to be held on , 2008.



## **What do I need to do now?**

The Company urges you to read carefully and consider the information contained in this proxy statement/prospectus, including the annexes, and to consider how the Merger will affect you as a stockholder of the Company. You should then vote as soon as possible in accordance with the instructions provided in this proxy statement/prospectus and on the enclosed proxy card.

## **How can I obtain a list of stockholders entitled to vote?**

A list of the stockholders entitled to vote as of the Record Date at the Special Meeting will be open to examination by any stockholder for any purpose germane to the meeting, during ordinary business hours for a period of ten calendar days before the Special Meeting at the offices of FMG Acquisition Corp., Four Forest Park, Second Floor, Farmington, Connecticut 06032, telephone number of (860) 677-2701; Secretary Larry G. Swets, Jr., and at the time and place of the Special Meeting during the duration of the Special Meeting.

## **Do I need to send in my stock certificates?**

The Company stockholders who vote against adoption of the Merger Proposal and elect to have their shares converted into a pro rata share of the funds in the trust account must send their physical stock certificates to our stock transfer agent prior to the Special Meeting. The Company stockholders who vote in favor of the adoption of the Merger Proposal, or who otherwise do not elect to have their shares converted, should retain their stock certificates.

## **What should I do if I receive more than one set of voting materials?**

You may receive more than one set of voting materials, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction cards, if your shares are registered in more than one name or are registered in different accounts. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. Please complete, sign, date and return each proxy card and voting instruction card that you receive in order to cast a vote with respect to all of your Company shares.

## **How can I communicate with FMG's Board of Directors?**

Stockholders may communicate with our Board of Directors by sending a letter addressed to the Board of Directors, all independent directors or specified individual directors to: FMG Acquisition Corp., Four Forest Park, Second Floor, Farmington, Connecticut 06032; Attention: Larry G. Swets, Jr., Secretary. All communications will be compiled by the Corporate Secretary and submitted to the Board or the specified directors on a periodic basis.

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## **SUMMARY**

*This summary highlights certain information from this proxy statement/prospectus including information with respect*

*to each of the proposals, although the Merger is the primary reason for the calling of the Special Meeting. This summary does not contain all of the information that is important to you. All of the proposals are described in detail elsewhere in this proxy statement/prospectus and this summary discusses the material items of each of the proposals.*

*You should carefully read this entire proxy statement/prospectus and the other documents to which this proxy statement/prospectus refers you. See *Where You Can Find Additional Information.* on page 199.*

## **THE MERGER PROPOSAL**

### **The Parties**

#### **FMG Acquisition Corp.**

FMG Acquisition Corp. is a blank check company formed specifically as a vehicle to effect a merger, acquisition or similar business combination with one or more operating businesses without limitation to a particular industry or to any geographic location, although our efforts have been focused on seeking a business combination within the insurance industry and selected small business insurance. The principal executive offices of FMG are located at Four Forest Park, Second Floor, Farmington, Connecticut 06032, and its telephone number is (860) 677-2701, Larry G. Swets, Jr., Secretary.

#### **United Insurance Holdings, L.C. ( United )**

United is a Florida limited liability company and is the parent company of United Property & Casualty Insurance Company ( United Insurance ), a licensed insurer which provides homeowners insurance and selected small business insurance in the State of Florida. Since 2000, United Insurance has received a Financial Stability Rating of **A** for Exceptional Financial Stability by Demotech, Inc. This is the third highest Financial Stability Rating of the six Financial Stability Ratings (**A** Unsurpassed; **A** Unsurpassed; **A** Exceptional; **S** Substantial; **M** Moderate; **L** Licensed) utilized by Demotech, Inc. These Financial Stability Ratings provide an objective baseline for assessing solvency and should not be interpreted as (and are not intended to serve as) an assessment of an insurance company's securities or a recommendation to buy, sell, or hold an insurance company's securities. Our Demotech Financial Stability Rating is recognized by federal mortgage backed loan programs such as HUD, Fannie Mae and FHA. If the Merger is consummated, United Subsidiary will merge with and into United, whereupon United will be the surviving entity and a wholly-owned subsidiary of FMG. United's principal executive offices are located at 700 Central Avenue, Suite 302, Saint Petersburg, Florida 33701, and its phone number is (727) 895-7737.

#### **United Subsidiary Corp.**

United Subsidiary Corp. is a Florida corporation recently incorporated solely for the purpose of effectuating the Merger. United Subsidiary is a wholly-owned subsidiary of FMG. As part of the Merger, United Subsidiary will be merged with and into United, with United remaining as the surviving entity and a wholly-owned subsidiary of FMG.

Following the effective date of the Merger, United and its members are expected to own approximately 60% of the issued and outstanding shares of common stock of FMG, depending upon the shares of the Company's common stock redeemed for cash. See *Description of FMG Acquisition Corp. Securities* **Common Stock**.

### **The Merger Proposal (Page 48)**

On April 2, 2008, the Company entered into the Merger Agreement pursuant to which United Subsidiary 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. The Merger Agreement was amended and restated on August 15, 2008. If the stockholders of the Company and the members of United approve the transactions contemplated by the Merger Agreement, FMG, through United Subsidiary, will purchase all of the membership units of United in a series of steps as outlined below.

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

FMG will create a transitory merger subsidiary, United Subsidiary Corp., and will merge such subsidiary with and into United, with United surviving; and

United will, as a result, become wholly-owned by FMG.

United's members will receive consideration from FMG for their membership units of up to \$104,316,270 consisting of:

\$25,000,000 in cash;

8,750,000 shares of FMG common stock, par value \$.0001 per share (assuming an \$8.00 per share value); up to \$5,000,000 of additional consideration which will be paid to the members of United in the event certain net income targets are met by United, as set forth more particularly herein;

1,093,750 newly issued common stock purchase warrants identical in all respects to the warrants issued in the Company's IPO;

up to an additional 212,877 newly issued common stock purchase warrants identical in all respects to the warrants issued in the Company's IPO; and

up to an additional 212,877 shares of FMG common stock.

The aggregate consideration will be paid pursuant to the Merger Agreement for the purchase of the membership units of United. The aggregate market value of the consideration to be paid pursuant to the Merger Agreement on the last trading day prior to the public announcement of the amended and restated Merger Agreement was \$96,756,477 (based on a share price of \$7.40 and warrant price of \$0.33 as of such date) and includes \$5,000,000 in contingent consideration and such amount will fluctuate based on the then-current trading price of the Company's common stock.

The Company's Board of Directors has determined United has a fair market value that is equal to at least 80% of the Company's net assets held in trust.

The Company, United and United Subsidiary plan to consummate the Merger as promptly as practicable after the Special Meeting, provided that:

the Company's stockholders have approved the Merger Agreement and the transactions contemplated thereby; not less than 66% of all membership units of United approve the Merger Agreement and the transactions contemplated thereby;

holders of not more than 29.99% of the shares of common stock issued in the Company's IPO vote against the Merger and demand conversion of their stock into cash;

the private placement, including the exchange offer, and tender offer shall have taken place; the Securities and Exchange Commission has declared effective the registration statement and prospectus which form a part of this proxy statement; and

the other conditions specified in the Merger Agreement have been satisfied or waived.

See the description of the Merger Agreement in the section entitled "The Merger Agreement" beginning on page 71. The Merger Agreement is included as Annex A to this proxy statement/prospectus. We encourage you to read the Merger Agreement in its entirety.

Under the terms of the Company's amended and restated certificate of incorporation, the Company may proceed with the Merger provided that not more than 29.99% of the Company's public stockholders elect to convert their shares of common stock to cash. The shares converted, if any, will reduce the shares of our common stock outstanding after the Merger and will reduce the amount available to us from the trust account.

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## **Our Insider Stockholders**

As of the Record Date, the Company's initial stockholders, including all of its directors, officers and a special advisor, who purchased or received shares of common stock prior to the Company's IPO, presently, together with their affiliates, own an aggregate of approximately 20% of the outstanding shares of the Company common stock (an aggregate of 1,183,406 shares). All of these persons have agreed to vote all of the shares acquired prior to the IPO in accordance with the vote of the majority of all other voting Company stockholders on the Merger Proposal. Moreover, all of these persons have agreed to vote all of their shares which were acquired in or following the IPO in favor of the Merger Proposal. As of the date hereof, no members of management purchased any shares in or following the IPO. Management will also vote 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.

## **Company Shares Entitled to Vote**

Holders of all issued and outstanding shares of Company common stock are entitled to vote on all matters at the Special Meeting. Approval of the Merger Proposal will require the affirmative vote of a majority of the shares of common stock purchased in the IPO which vote at the Special Meeting. Approval of the Merger Proposal requires that no more than 1,419,614 shares of common stock purchased in the IPO vote against the Merger and elect to convert their common stock into their pro rata portion of the cash from the trust account.

## **United Membership Units Entitled to Vote**

As of June 30, 2008, there were 100,000 United membership units issued and outstanding. The holders of these membership units are entitled to one vote per unit on all matters to be voted upon by the members. In accordance with Florida law, the affirmative vote of a majority of the units represented and voting at a duly held meeting at which a quorum is present (which units voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the members, except that approval of certain business transactions, including the Merger, requires the affirmative vote of 66% of the units issued and outstanding.

The managers and officers of United, presently, together with their affiliates, own an aggregate of approximately 59% of United's outstanding membership units, all of which are entitled to vote on the Merger. Approval of the Merger Proposal will require the affirmative vote of not less than 66% of all membership units outstanding, which means United needs only an additional 7% of the aggregate outstanding membership units in order to approve the Merger, provided that the current managers and officers of United approve the Merger Proposal.

United is not soliciting proxies for approval of the Merger at this time, however, in accordance with Florida law, United does intend to solicit written consents from its members in favor of the Merger and the Merger Agreement. When United solicits written consents from its members, it will also send notice pursuant to Florida Statute 608.4354 to its members who are entitled to appraisal rights.

## Tax Considerations (Page 77)

There will be no tax consequences to our stockholders resulting from the Merger, except to the extent they exercise their conversion rights. A stockholder who exercises conversion rights will generally be required to recognize capital gain or loss upon the conversion, if such shares were held as a capital asset on the date of the conversion. This gain or loss will be measured by the difference between the amount of cash received and the stockholder's tax basis in the converted shares. If you purchased shares in our IPO, the gain or loss will be short-term gain or loss if the Merger closes as scheduled. If you purchased shares in the aftermarket and have held such shares for less than a year, the gain or loss will be short term gain or loss.

## Conditions to Closing the Merger (Page 72)

The obligations of the Company, United and United Subsidiary to consummate the Merger are subject to the satisfaction or waiver of the following specified conditions set forth in the Merger Agreement before completion of the Merger:

- (i) the accuracy in all material respects on the date of the Merger Agreement and the Closing Date of all of United's representations and warranties;

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- (ii) United's performance in all material respects of all covenants and obligations required to be performed by the Closing Date (as more fully described below in "Covenants of the Parties");
- (iii) a majority of the Company's stockholders must vote in favor of approving the Merger;
- (iv) not more than 29.99% of the shares of the common stock issued in the Company's IPO vote against the Merger and demand conversion of their stock into cash;
- (v) stockholder approval of the First and Second Amendment Proposals;
- (vi) the Securities and Exchange Commission has declared effective the registration statement and prospectus which form a part of this proxy statement;
- (vii) no governmental authority has enacted, issued, promulgated, enforced or entered any law or order that is in effect and has the effect of making the Merger illegal or otherwise preventing or prohibiting consummation of the Merger;
- (viii) the private placement, including the exchange offer, and the tender offer shall have taken place;
- (ix) the officers are, and the Board of Directors of FMG following the Merger is constituted, as set forth as the Board of Directors recommends, as fully described herein; and
- (x) the consent of not less than 66% of the membership units of United to the Merger and no more than ten percent (10%) of the outstanding membership units of United shall constitute dissenting membership units under Florida law.

Conditions (i), (ii) and (ix), as well as the Third Amendment Proposal, are waivable by the Company or United, as applicable.

United's obligation to close on the Merger is further contingent upon:

the accuracy in all material respects on the date of the Merger Agreement and the Closing Date of all of FMG's representations and warranties;

the private placement, including the exchange offer, and the tender offer shall have taken place; and FMG's performance in all material respects of all covenants and obligations required to be performed by the Closing Date (as more fully described below in "Covenants of the Parties").

On August 15, 2008, FMG entered into a note purchase agreement with certain accredited investors for the issuance and sale in a private placement of 11% promissory notes in the aggregate principal amount of \$18,279,570 (the Notes ). The net cash proceeds from the private placement are estimated to be approximately \$10,000,000. The private placement will provide additional financing to the Company, substantially all of which will be used to consummate the tender offer or, to the extent not used for that purpose, such proceeds will be used for general corporate purposes.

If the Company utilizes all of the net proceeds of the private placement to consummate the tender offer, it will not have these funds available for general corporate purposes. The Company will consummate the private placement only in the event that Proposals 1, 2, 3 and 5 are approved. If FMG stockholders do not approve Proposals 1, 2, 3 and 5, the private placement will not be completed.

On August 15, 2008, FMG entered into an agreement with certain institutional holders of FMG common stock wherein such holders agreed to exchange their shares of FMG common stock for promissory notes issued by the Company. The promissory notes issued in the exchange offer will be identical to the Notes issued in the private placement. FMG will not receive any proceeds from the exchange offer, other than the shares of FMG common stock exchanged. Accordingly, the Company will issue Notes with an aggregate principal amount of \$7,526,882 in exchange for 869,565 shares of FMG common stock. FMG's management believes the exchange offer will enhance the likelihood of stockholder approval of the proposals included in this proxy statement. The Company will close the exchange offer only in the event that Proposals 1, 2, 3 and 5 are approved. If FMG stockholders do not approve Proposals 1, 2, 3 and 5, or if either the private placement or the Merger does not close, the exchange offer will not be completed.

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**Director Nominees (Page 74)**

Under the Merger Agreement, United or its designated affiliate has the right to nominate, and the Company has agreed to cause the appointment and election of, three additional members of the Board of Directors of the Company.

**Accounting Treatment (Page 81)**

The Merger will be accounted for as a reverse merger and recapitalization since United and its members will control FMG immediately following the completion of the Merger. United will be deemed to be the accounting acquirer in the Merger and, consequently, the Merger is treated as a recapitalization of United. Accordingly, the assets and liabilities and the historical operations that are reflected in the financial statements will be those of United and will be recorded at the historical cost basis of United. FMG's assets, liabilities and results of operations will be consolidated with the assets, liabilities and results of operations of United after consummation of the Merger.

**Risk Factors (Page 25)**

Before you grant your proxy or vote or instruct the vote with respect to the Merger, you should be aware that the occurrence of the events described in the Risk Factors section and elsewhere in this proxy statement could have a material adverse effect on the Company, United and United Subsidiary. Principal risks include dilution which our stockholders will suffer as a consequence of the Merger, the concentration of ownership of FMG common stock following the Merger, the fact one or more conditions to the Merger may be waived by FMG without resoliciting stockholder approval, risks inherent to providers of homeowners insurance in the southeast United States, our failure following the Merger to collect all amounts due from reinsurers and the potential lack of availability of reinsurance coverage, heavy regulation of the insurance industry by various federal and state governments and disruptions to

United's relationships with its independent agents and brokers.

## **Conversion Rights (Page 44)**

Pursuant to the Company's existing amended and restated certificate of incorporation, a holder of shares of the Company's common stock issued in its IPO may, if the stockholder votes against the Merger Proposal, demand the Company convert such shares into a pro rata portion of the trust account. This demand must be made on the proxy card at the same time the stockholder votes against the Merger Proposal. We issued a total of 4,733,625 shares in our IPO and, other than the 1,183,406 shares issued to our management, we have no other shares of common stock issued and outstanding. If properly demanded in connection with a vote against the Merger Proposal, the Company will convert each share of common stock as to which such demand has been made into a pro rata portion of the trust account in which a substantial portion of the net proceeds of the Company's IPO are held, plus all pro rata interest earned thereon. If you exercise your conversion rights, then you will be exchanging your shares of the Company common stock for cash and will no longer own these shares. Based on the amount of cash held in the trust account as of June 30, 2008, without taking into account any interest or income taxes accrued after such date, you would be entitled to convert each share of common stock that you hold into approximately \$7.91 (after a provision for payment of working capital costs and taxes) per share. You will only be entitled to receive cash for these shares if you tender your stock certificate to the Company's stock transfer agent at or prior to the vote at the Special Meeting on the Merger Proposal. If the Merger is not consummated, then these shares will not be converted into cash immediately. If you convert your shares of common stock, you will still have the right to exercise the warrants received as part of the units purchased in our IPO in accordance with the terms thereof. If the Merger is not consummated, then your shares will not be converted to cash after the Special Meeting, even if you so elected, and your shares will be converted into cash upon liquidation of the trust in the event we do not propose a subsequent business combination.

The Merger will not be consummated if the holders of 1,419,615 or more shares of common stock issued in the Company's IPO, an amount equal to more than 29.99% of such shares, vote against the Merger Proposal and exercise their conversion rights.

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## **Appraisal or Dissenters' Rights (Page 45)**

No dissenter's or appraisal rights are available under the Delaware General Corporation Law for the stockholders of the Company in connection with the proposals. Under Florida law, the members of United will be entitled to dissent from the Merger and obtain cash payment for the fair value of their membership units instead of the consideration provided for in the Merger Proposal. For a more complete description of the rights of United's members, see United Member Approval.

## **Stock Ownership (Page 46)**

The following table sets forth information as of August 29, 2008, based on information obtained from the persons named below, with respect to the beneficial ownership of shares of the Company's common stock by: (i) each person known by us to be the owner of more than 5% of our outstanding shares of the Company's common stock, (ii) each officer and director, and (iii) all officers and directors as a group. The table does not reflect the additional shares of FMG common stock and warrants FMG Investors LLC will forfeit and which will be re-issued to United's members as additional consideration for the Merger. See The Merger Proposal for additional information regarding this consideration.

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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 <sup>(1)</sup>	Common Stock	
	Number of Shares <sup>(2)</sup>	Percentage of Common Stock
FMG Investors LLC <sup>(3)</sup>	1,099,266	18.57 %
Gordon G. Pratt, Chairman, Chief Executive Officer and President	1,099,266 <sup>(3)</sup>	18.57 %
Larry G. Swets, Jr., Chief Financial Officer, Secretary, Treasurer, Executive Vice President	1,099,266 <sup>(3)</sup>	18.57 %
Thomas D. Sargent, Director	21,035	0.36 %
David E. Sturgess, Director <sup>(4)</sup>	21,035	0.36 %
James R. Zuhlke, Director	21,035	0.36 %
HBK Investments L.P. <sup>(5)</sup>	547,250	9.2 %
Brian Taylor <sup>(6)</sup>	437,500	7.4 %
Bulldog Investors <sup>(7)</sup>	1,282,167	21.67 %
Millenco LLC <sup>(8)</sup>	189,375	3.2 %
D.B. Zwirn Special Opportunities Fund, L.P. <sup>(9)</sup>	178,500	3.02 %
D.B. Zwirn Special Opportunities Fund, Ltd. <sup>(9)</sup>	246,500	4.17 %
D.B. Zwirn & Co., L.P. <sup>(9)</sup>	425,000	7.18 %
DBZ GP, LLC <sup>(9)</sup>	425,000	7.18 %
Zwirn Holdings, LLC <sup>(9)</sup>	350,000	5.92 %
Daniel B. Zwirn <sup>(9)</sup>	350,000	5.92 %
Weiss Asset Management, LLC <sup>(10)</sup>	180,642	3.1 %
Weiss Capital, LLC <sup>(10)</sup>	90,395	1.5 %
Andrew M. Weiss, Ph.D. <sup>(10)</sup>	271,037	4.6 %
All Directors and Officers as a Group (5 persons)	1,162,371	19.64 %

(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.

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. The table does not reflect

(3) the additional shares of FMG common stock and warrants FMG Investors LLC will forfeit and which will be re-issued to United s members as additional consideration for the Merger. See The Merger Proposal for additional information regarding this consideration.

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(4) The business address of David E. Sturgess is c/o Updike, 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 July 18, 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

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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.

## **Reasons for the Merger (Page 61)**

The Company is a blank check company formed specifically as a vehicle to effect a merger, acquisition or similar business combination with one or more operating businesses in the insurance industry. In the course of the Company's search for a business combination partner, the Company investigated the potential acquisition of numerous candidates in the insurance industry, along with United, and considered United to be an attractive merger candidate because of, among other things, the market in which United operates, growth prospects and the ability to leverage the expertise and contacts of the Company's and United's management. The value attributed to United derives from both the extensive analysis the Company's Board of Directors undertook in connection with its own evaluation of United and the prior acquisition experience of each of the Company's board members. As a result, the Company believes the Merger will provide Company stockholders with an opportunity to participate in a business and industry with growth potential. Our Board of Directors has obtained a fairness opinion from Piper Jaffray & Co., which states that the consideration to be paid by FMG for all the issued membership units of United is fair, from a financial point of view, to holders of FMG common stock.

In reaching its decision with respect to the Merger and the transactions contemplated thereby, the Company's Board of Directors reviewed various materials. Also, in reaching its decision to approve the Merger, the Board of Directors considered a number of factors and believes such factors support its determination and recommendation to approve the Merger.

## **The Company's Board of Directors' Recommendations (Pages 82, 94, 97, 98, 111, 100, 111 and 112)**

After careful consideration of the terms and conditions of the Merger Agreement, the Company's Board of Directors has determined unanimously that the Merger Agreement and the transactions contemplated thereby including the Merger, is in the best interests of the Company and its stockholders. Accordingly, the Company's Board has unanimously approved and declared advisable the Merger and unanimously recommends that you vote or instruct your vote to be cast **FOR** the Merger Proposal.

The Company's Board of Directors has also determined unanimously that the First Amendment Proposal is in the best interest of the Company and its stockholders. Accordingly, the Company's Board of Directors has unanimously approved and declared advisable the First Amendment Proposal and unanimously recommends you vote or instruct your vote to be cast **FOR** the approval of the First Amendment Proposal.

The Company's Board of Directors has also determined unanimously that the Second Amendment Proposal is in the best interest of the Company and its stockholders. Accordingly, the Company's Board of Directors has unanimously approved and declared advisable the Second Amendment Proposal and unanimously recommends you vote or instruct your vote to be cast **FOR** the approval of the Second Amendment Proposal.

The Company's Board of Directors has also determined unanimously that the Third Amendment Proposal is in the best interest of the Company and its stockholders. Accordingly, the Company's Board of Directors has unanimously approved and declared advisable the Third Amendment Proposal and unanimously recommends you vote or instruct your vote to be cast **FOR** the approval of the Third Amendment Proposal.

The Company's Board of Directors has also determined unanimously that the Director Proposal is in the best interest of the Company and its stockholders. Accordingly, the Company's Board of Directors has unanimously approved and declared advisable the Director Proposal and unanimously recommends that you vote or instruct your vote to be cast **FOR** the approval of the Director Proposal.

The Company's Board of Directors has also determined unanimously that the Adjournment Proposal is in the best interest of the Company and its stockholders. Accordingly, the Company's Board of Directors has unanimously approved and declared advisable the Adjournment Proposal and unanimously recommends that you vote or instruct your vote to be cast FOR the approval of the Adjournment Proposal.

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## Interests of FMG Directors and Officers in the Merger (Page 60)

When you consider the recommendation of the Company's Board of Directors that you vote in favor of the Merger Proposal, you should keep in mind that certain of the Company's Directors and officers have interests in the Merger that are different from, or in addition to, your interests as a stockholder. If the Merger is not approved, the Company may be required to liquidate, and the warrants owned by certain of the Company's officers and directors and the shares of common stock issued at an effective price per share of \$0.021 prior to the Company's IPO and held by the Company's executives and directors may be worthless because the Company's executives and directors are not entitled to receive any of the net proceeds of the Company's IPO that are held in trust and will be distributed upon liquidation of the Company. Additionally, the Company's officers and directors who acquired shares of Company common stock prior to the Company's IPO at a price per share of \$0.021, after giving effect to the forward stock split and the forfeiture of shares of common stock following the IPO, will benefit if the Merger is approved because they will continue to hold their shares.

The table below sets forth the value of the shares and warrants owned by the officers and directors of the Company immediately following the consummation of the Merger and the unrealized profit from such securities based on the market price of the common stock and the warrants of the Company, as of August 29, 2008, of \$7.60 and \$0.59, respectively.

	Common Stock <sup>(a)</sup>				Warrants <sup>(b)</sup>			
	Owned	Amount Paid (\$)	Current Market Value (\$)	Unrealized Profit (\$)	Owned	Amount Paid (\$)	Current Market Value (\$)	Unrealized Profit (Loss) (\$)
Gordon G. Pratt, Chairman, Chief Executive Officer and President <sup>(1)</sup>	1,099,266	\$0.021	\$8,354,422	\$8,331,337	1,300,000	\$1,268,950	\$767,000	\$(501,950)
Larry G. Swets, Jr., Chief Financial Officer, Secretary, Treasurer, Executive Vice President <sup>(1)</sup>	1,099,266	\$0.021	\$8,354,422	\$8,331,337	1,250,000	\$1,250,000	\$737,500	\$(512,500)
Thomas D. Sargent, Director	21,035	\$0.021	\$159,866	\$159,424	0			
David E. Sturgess, Director	21,035	\$0.021	\$159,866	\$159,424	0			
	21,035	\$0.021	\$159,866	\$159,424	0			

James R. Zuhlke,  
Director

(1) Reflects the beneficial ownership of 1,099,266 shares of FMG common stock by FMG Investors LLC. The weighted average purchase price per share for this common stock was \$0.021 per share. Pursuant to escrow agreements signed by these stockholders, these shares may not be sold or pledged until one year after the (a) consummation of a business combination. Additionally, these shares are currently not registered, although after the release from escrow, these stockholders may demand the Company use its best efforts to register the resale of such shares.

These warrants were purchased in a private placement that closed concurrently with the Company IPO. The (b) exercise price of the warrants is \$6.00. These warrants may not be sold or transferred until 90 days after the consummation of a business combination.

All of the shares of the Company common stock and the warrants acquired by our officers, directors and special advisor prior to the Company's IPO were placed in escrow with Continental Stock Transfer & Trust Company, as escrow agent. During the escrow period, the holders of these shares are not able to sell or transfer their securities except to their spouses and children or trusts established for their benefit, 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

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and liquidate, none of these stockholders will receive any portion of the liquidation proceeds with respect to common stock owned by them prior to the Company's IPO.

## **Interests of United in the Merger**

Upon completion of the Merger, the members of United will beneficially own, in the aggregate, approximately 60% of the issued shares of FMG.

In addition, certain of United's directors will be directors of the surviving company after the Merger.

## **Interests of Pali Capital in the Merger; Fees**

Pali Capital, Inc. served as the representative of the underwriters in our IPO and agreed to defer \$1,514,760 of the underwriting discounts and commissions until after the consummation of a business combination. The deferred amount payable in connection with the IPO will be paid out of the trust account established for the proceeds of the IPO only if we consummate the Merger. Pali Capital, Inc., therefore, has an interest in our consummating the Merger, which will result in the payment of its deferred compensation. Further, the underwriters of FMG's IPO and certain of its employees own an option to purchase 450,000 units (comprised of one share of common stock and one warrant) at an exercise price of \$10.00 per unit, received as consideration as the representative of the underwriters in our IPO. As a part of the negotiation with United, the underwriters and certain of its employees have agreed to forfeit 100,000 of such units upon closing of the business combination. As a result, 350,000 of such units will remain outstanding following the closing of the business combination. Additionally, upon consummation of the Merger, Pali Capital, Inc. shall be entitled to a \$200,000 investment banking fee.

## Fairness Opinion (Page 64)

Pursuant to an engagement letter dated March 4, 2008, we engaged Piper Jaffray to render an opinion that the consideration to be paid for the Merger on the terms and conditions set forth in the Merger Agreement is fair, from a financial point of view, to the holders of the common stock of the Company. Our Board of Directors decided to use the services of Piper Jaffray because it is an investment banking firm that regularly evaluates businesses and their securities in connection with acquisitions, corporate restructurings, private placements and for other purposes.

Piper Jaffray delivered its oral opinion to our Board of Directors on March 20, 2008, which stated that, as of March 20, 2008 and based upon and subject to the assumptions made, matters considered and limitations on its review as set forth in the opinion that the consideration to be paid for United is fair, from a financial point of view, to the holders of Company common stock. After discussion and due consideration, the Board concluded that the net economic effect of the additional merger consideration paid by the Company, namely the 1,093,750 additional warrants, is appropriate primarily as a result of: (i) United's financial performance through June 30, 2008; (ii) additional value expected from United's earnings in the third quarter 2008 that will be retained in United; and (iii) the benefit of reduced potential dilution for our stockholders due to our repurchase of 100,000 units of the underwriter's purchase option. Our Board considered seeking a new fairness opinion from Piper Jaffray concerning the transaction but ultimately declined to do so for the reasons cited in (i) through (iii) above and because there have been no material changes in United's performance or in the projections or assumptions on which Piper Jaffray based its opinion. The amount of consideration to be paid for United was determined pursuant to negotiations between us and United and its members and not pursuant to recommendations of Piper Jaffray. The Piper Jaffray opinion is not a recommendation as to how any stockholder should vote or act with respect to any matters relating to the Merger (including, without limitation, with respect to the exercise of rights to convert the Company common stock into cash). Further, the Piper Jaffray opinion does not in any manner address the underlying business decision of the Company to engage in the Merger or the relative merits of the Merger as compared to any alternative business transaction or strategy (including, without limitation, liquidation of the Company after not completing a business combination transaction within the allotted time). The decision as to whether to approve the Merger or any related transaction may depend on an assessment of factors unrelated to the financial analysis on which the Piper Jaffray opinion is based. The full text of the Piper Jaffray written opinion, attached hereto as Annex C, is incorporated by reference into this proxy statement/prospectus. You are encouraged to read the Piper Jaffray opinion carefully and in its entirety for a description of the assumptions made, matters considered, procedures followed and

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limitations on the review undertaken by Piper Jaffray in rendering its opinion. The summary of the Piper Jaffray opinion set forth in this proxy statement is qualified in its entirety by reference to the full text of the opinion.

## Regulatory Matters (Page 80)

The Company does not expect that the Merger will be subject to any state or federal regulatory requirements other than approval of the Florida Office of Insurance Regulation, filings under applicable securities laws and the effectiveness of the registration statement of the Company of which this proxy statement/prospectus is part. The Company intends to comply with all such requirements. We do not believe that, in connection with the completion of the Merger, any further consent, approval, authorization or permit of, or filing with, any acquisition control authority will be required in any jurisdiction.

## **Overview of the Merger (Page 71)**

As part of the Merger, and pursuant to the Merger Agreement, United and United Subsidiary will engage in a reverse merger as outlined below pursuant to which United Subsidiary will merge with and into United, and United will become a wholly-owned subsidiary of the Company and the current members of United will become stockholders of FMG. As part of the Merger, FMG will be renamed United Insurance Holdings Corp. ( UIH ).

After giving effect to the Merger (but before the exchange offer and tender offer), the members of United will own approximately 60% of the outstanding shares of UIH, and the current stockholders of FMG will own the remaining 40% without regard to exercise of any outstanding warrants and before giving effect to the tender offer.

## **Directors and Management (Page 179)**

Upon completion of the Merger, the Board of Directors of the Company and its wholly-owned subsidiary will consist of six members. Assuming the consummation of the Merger, three of the Company's current directors: Messrs. Gordon G. Pratt, Larry G. Swets, Jr. and James R. Zuhlke will serve as directors of the Company and United. Additionally, assuming the consummation of the Merger, Messrs. Gregory C. Branch, Alec L. Poitevint, II and Kent G. Whittemore will also serve as directors of the Company and United. Upon completion of the Merger, Donald J. Cronin will serve as President and Chief Executive Officer and Nicholas W. Griffin will serve as Chief Financial Officer of the Company. Melvin A. Russell, Jr. will serve as Chief Underwriting Officer of United.

## **FIRST AMENDMENT TO CERTIFICATE OF INCORPORATION PROPOSAL (PAGE 94)**

We are seeking your approval to authorize the Board of Directors to amend and restate our Certificate of Incorporation to delete provisions in the certificate of incorporation that are specific to blank check companies. This proposal to approve the amendment to our Certificate of Incorporation is conditioned upon and subject to the approval of the Merger Proposal. See the section entitled *The First Amendment Proposal*.

## **SECOND AMENDMENT TO CERTIFICATE OF INCORPORATION PROPOSAL (PAGE 98)**

We are seeking your approval to authorize the Board of Directors to amend and restate our Certificate of Incorporation to increase the amount of authorized shares of common stock from 20,000,000 to 50,000,000. This proposal to approve the amendment to our Certificate of Incorporation is conditioned upon and subject to the approval of the Merger Proposal. See the section entitled *The Second Amendment Proposal*.

## **THIRD AMENDMENT TO CERTIFICATE OF INCORPORATION PROPOSAL (PAGE 100)**

We are seeking your approval to authorize the Board of Directors to amend and restate our Certificate of Incorporation to change the name of the Company to United Insurance Holdings Corp. This proposal to approve the amendment to our Certificate of Incorporation is conditioned upon and subject to the approval of the Merger Proposal. See the section entitled *The Third Amendment Proposal*.

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## **DIRECTOR PROPOSAL (PAGE 101)**

Director Proposal to elect three (3) directors to the Company's Board of Directors to hold office until the next annual meeting of stockholders and until their successors are elected and qualified. This proposal to elect three directors to our Board of Directors is conditioned upon and subject to the approval of the Merger Proposal. See the section entitled *The Director Proposal*.

## **ADJOURNMENT PROPOSAL (PAGE 112)**

If, based on the tabulated vote, there are not sufficient votes at the time of the Special Meeting authorizing the Company to consummate the Merger, the Company's Board of Directors may submit a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation of proxies. See the section entitled *The Adjournment Proposal*.

Prior to the record date for this Special Meeting, the officers, directors or affiliates of the Company may purchase outstanding securities of the Company in open market transactions and the shares so acquired would be voted in favor of the Merger. In the event an adjournment proposal is presented at the Special Meeting and approved by the stockholders, the officers, directors or affiliates of the Company may, during such adjournment period, make investor presentations telephonically and/or in person to investors who have indicated their intent to vote against the Merger Proposal. Such investor presentations would be informational only, and would be filed publicly on Current Report on Form 8-K prior to or concurrently with presentation to any third party. The Company will not conduct any such activities in violation of applicable federal securities laws, rules or regulations.

## **THE SPECIAL MEETING**

### **Date, Time and Place of Special Meeting of Our Stockholders (Page 41)**

The Special Meeting of our stockholders will be held at 10:00 a.m. Eastern Time, on , 2008, at the offices of .

### **Record Date; Who is Entitled to Vote (Page 42)**

You will be entitled to vote or direct votes to be cast at the Special Meeting if you owned shares of our common stock at the close of business on , 2008, which is the record date for the Special Meeting. You will have one vote for each share of our common stock you owned at the close of business on the record date. On the record date, there were 5,917,031 shares of our common stock outstanding, of which 4,733,625 shares were IPO shares. The remaining 1,183,406 shares were issued to our founders prior to our IPO.

### **Voting Your Shares (Page 42)**

You can vote by signing and returning the enclosed proxy card. If you vote by proxy card, your proxy, whose name is listed on the proxy card, will vote your shares as you instruct on the proxy card. If you sign and return the proxy card,

but do not give instructions on how to vote your shares, your shares will be voted, as recommended by the FMG Board of Directors, 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.

Proxies may be solicited by mail, telephone or in person. Proxies may be solicited by mail, telephone or in person. FMG will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and officers may also solicit proxies in person, by telephone or by other means of communication. These parties will not be paid any additional compensation for soliciting proxies. Mackenzie Partners, Inc., a proxy solicitation firm we have engaged to assist us in soliciting proxies, will be paid its customary fee of approximately \$7,500 plus \$5.00 per solicited stockholder and out-of-pocket expenses, and we expect the total fees and expenses payable to Mackenzie Partners, Inc. will not exceed approximately \$20,000. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

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If you grant a proxy, you may still vote your shares in person if you revoke your proxy at or before the Special Meeting. If you hold your shares in street name you can obtain physical delivery of your shares into your name, and then vote the shares yourself. In order to obtain shares directly into your name, you must contact your brokerage firm representative. Brokerage firms may assess a fee for your conversion; the amount of such fee varies.

## **Quorum and Vote Required (Page 43)**

A quorum of our stockholders is necessary to hold a valid stockholders meeting. A quorum will be present at the Special Meeting if a majority of the shares of our common stock outstanding as of the record date are presented in person or by proxy. Abstentions and broker non-votes will count as present for the purposes of establishing a quorum.

For purposes of Proposal 1, under our amended and restated certificate of incorporation, approval of the Merger Proposal will require: (i) the affirmative vote of a majority of the shares of the Company's common stock issued in the IPO who vote on this proposal at the Special Meeting, and (ii) not more than 29.99% of the shares of the Company's common stock issued in the IPO vote against the Merger Proposal and elect a cash conversion of their shares. For the purposes of Proposal 2, the affirmative vote of the majority of the Company's issued and outstanding common stock as of the Record Date is required to approve the First Amendment Proposal. For the purposes of Proposal 3, the affirmative vote of the majority of the Company's issued and outstanding common stock as of the Record Date is required to approve the Second Amendment Proposal. For the purposes of Proposal 4, the affirmative vote of the majority of the Company's issued and outstanding common stock as of the Record Date is required to approve the Third Amendment Proposal. For purposes of Proposal 5, the affirmative vote of the holders of a plurality of the shares of common stock cast in the election of directors is required. Proposals 2, 3, 4 and 5, are contingent upon our stockholders' approval of the Merger. For purposes of Proposal 6 the affirmative vote of a majority of the shares of the Company's common stock that are present in person or by proxy and entitled to vote is required to approve the adjournment.

As long as a quorum is established at the Special Meeting, if you return your proxy card without an indication of how you desire to vote, it: (i) will have the same effect as a vote in favor of the Merger Proposal and will not have the effect of converting your shares into a pro rata portion of the trust account (in order for a stockholder to convert his or her shares, he or she must cast an affirmative vote against the Merger Proposal and make an affirmative election on the proxy card to convert such shares of common stock); (ii) will have the same effect as a vote in favor of the First Amendment Proposal; (iii) will have the same effect as a vote in favor of the Second Amendment Proposal; (iv) will



have the same effect as a vote in favor of the Third Amendment Proposal; (v) will have no effect on the Director Proposal; and (vi) will have the same effect as a vote in favor of the Adjournment Proposal.

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## FMG ACQUISITION CORP. SELECTED FINANCIAL DATA

The Company is providing the following selected financial information to assist you in your analysis of the financial aspects of the Merger. The following selected financial and other operating data should be read in conjunction with FMG Acquisition Corp.'s Management's Discussion and Analysis of Financial Condition and Results of Operations and its financial statements and the related notes to those statements included elsewhere in this proxy statement. The balance sheet data as of December 31, 2007 has been derived from the Company's audited financial statements included elsewhere in this proxy statement prospectus. The statements of operations data for the six months ended June 30, 2008 and for the period from May 22, 2007 (inception) through June 30, 2008, and the balance sheet data as of June 30, 2008 have been derived from the Company's unaudited financial statements included elsewhere in this proxy statement/prospectus. Interim results are not necessarily indicative of results for the full fiscal year and historical results are not necessarily indicative of results to be expected in any future period.

## CONDENSED STATEMENTS OF OPERATIONS (Unaudited)

	For the Three Months Ended June 30, 2008	For the Six Months Ended June 30, 2008	May 22, 2007 (Inception) to June 30, 2008	May 22, 2007 (Inception) to June 30, 2007
Interest income	\$ 113,723	\$ 280,209	\$ 548,437	\$ 40
Operating costs	73,298	430,144	544,410	600
Provision (benefit) for income taxes	(87,666 )	(24,668 )	46,837	
Net (loss) income	\$ 128,091	\$ (125,267 )	\$ (42,810 )	\$ (560 )
Maximum number of shares subject to possible redemption:				
Weighted average number of common shares, Basic and diluted	1,419,614	1,419,614	1,419,614	
<b>Net income per common share</b> , for shares subject to redemption				
Approximate weighted average number of common shares outstanding (not subject to possible redemption)				
Basic	4,497,417	4,497,417	3,317,902	1,293,750
Diluted	5,563,568	4,497,417	3,317,902	1,293,750

Net income per common share not subject to possible redemption,

Basic	\$0.028	\$(0.028	)	\$(0.013	)	\$
Diluted	\$0.023	\$(0.028	)	\$(0.013	)	\$

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## CONDENSED BALANCE SHEETS

	June 30, 2008	December 31, 2007
	(Unaudited)	
<b>ASSETS</b>		
Current assets		
Cash	\$45,626	\$71,274
Prepaid expenses	64,904	54,075
Deferred acquisition costs	107,363	
	217,893	125,349
Other assets		
Cash and cash equivalents held in Trust Account	37,498,748	37,720,479
Deferred tax asset	172,169	32,210
	37,670,917	37,752,689
Total Assets	\$37,888,810	\$37,878,038
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b> , accounts payable and accrued expenses	\$310,383	\$174,344
<b>Long-term liabilities</b> , deferred underwriters' fee	1,514,760	1,514,760
Common stock, subject to possible redemption, 1,419,614 shares, at redemption value	11,232,133	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	602
Additional paid-in capital	24,873,742	24,873,742
Earnings (deficit) accumulated during the development stage	(42,810 )	82,457
Total stockholders' equity	24,831,534	24,956,801
Total Liabilities and Stockholders' Equity	\$37,888,810	\$37,878,038

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## MARKET PRICE INFORMATION AND DIVIDEND DATA FOR COMPANY SECURITIES

The Company consummated its IPO on October 4, 2007. In the IPO, the Company sold 4,733,625 units, each consisting of one share of the Company's common stock and one warrant to purchase common stock. The units were quoted on the OTC Bulletin Board from the consummation of the IPO under the symbol FMGQU. On November 7, 2007, the common stock and warrants included in the units began trading separately and the trading in the units continued. The shares of the Company's common stock and warrants are currently quoted on the OTC Bulletin Board under the symbols FMGQ and FMGQW, respectively. The closing prices per unit, per share of common stock and per warrant of the Company on April 1, 2008, the last trading day before the announcement of the execution of the Merger Agreement, were \$7.62, \$7.24 and \$0.36, respectively. Each warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$6.00 commencing on the later of the consummation of a business combination (if consummated) or October 4, 2008. The Company warrants will expire at 5:00 p.m., New York City time, on October 4, 2011, or earlier upon redemption. Prior to October 4, 2007, there was no established public trading market for the Company's securities.

The following table sets forth, for the calendar quarter indicated, the quarterly high and low sales prices of the Company's common stock, warrants and units as reported on the OTC Bulletin Board. The over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Quarter Ended	Common Stock		Warrants		Units	
	High	Low	High	Low	High	Low
June 30, 2008	\$ 7.40	\$ 7.23	\$ 0.50	\$ 0.27	\$ 7.65	\$ 7.52
March 31, 2008	\$ 7.25	\$ 7.12	\$ 0.70	\$ 0.35	\$ 7.93	\$ 7.62
December 31, 2007	\$ 7.30	\$ 7.15	\$ 0.70	\$ 0.70	\$ 8.00	\$ 7.90

On August 29, 2008, the closing prices of our units, common stock and warrants were \$8.20, \$7.60 and \$0.59, respectively.

## Holders

As of , 2008, the Record Date of the Special Meeting, there were [ ] holders of record of units, [ ] holders of record of the common stock and [ ] holders of record of the warrants. We estimate there are [ ] beneficial owners of our units, [ ] beneficial owners of our common stock and [ ] beneficial owners of our warrants. Upon consummation of the Merger, FMG will be obligated to issue 8,750,000 shares of common stock and 1,093,750 warrants to the members of United as partial consideration for the membership units of United. For more information on the shares and warrants to be issued to United, see the section entitled "The Merger Proposal - Consideration." For more information on the effect of the issuance of the 8,750,000 shares of common stock on the amount and percentage of present holdings of the Company's common equity owned beneficially by (i) each person known by us to be the owner of more than 5% of our outstanding shares of the Company's common stock, (ii) each officer and director and (iii) all officers and directors as a group see the section entitled "Beneficial Ownership following the Merger" on page 182.

## Dividends

The Company has not paid any cash dividends on its common stock and does not intend to pay dividends prior to consummation of the Merger.

## RISK FACTORS

*You should consider carefully all of the material risks described below, together with the other information contained elsewhere in this proxy statement, before you decide whether to vote or instruct your vote to be cast to adopt the Merger. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occur, our business, financial conditions or results of operating may be materially and adversely affected.*

### Risks Particular to the Merger

#### **FMG's and United Subsidiary's businesses are difficult to evaluate due to a lack of operational history.**

FMG was formed on May 22, 2007 for the purpose of effecting a merger, capital stock exchange, asset or stock acquisition, exchangeable share transaction, joint venture or other similar business combination with one or more domestic or international operating businesses. On October 4, 2007, the Company consummated its IPO. Accordingly, we have limited operational history which consists of the founding of the Company and the evaluation of potential acquisitions. United Subsidiary was formed solely for the purpose of the Merger and has no operating history. FMG's, and United Subsidiary's operating history, to date, is not indicative of future operating or financial performance.

#### **Our stockholders will experience immediate dilution as a consequence of the issuance of common stock and warrants as consideration in the Merger. Having a minority share position may reduce the influence our current stockholders have on the management of the combined company.**

Following the consummation of the Merger, the influence of our public stockholders, in their capacity as stockholders of FMG following the Merger, will be significantly reduced. Our current stockholders will hold, in the aggregate, approximately 40% of the issued and outstanding common stock of FMG (before considering the exchange and tender offers and excluding as outstanding for purposes of the calculation securities issuable upon the exercise of our outstanding warrants and upon the exercise of the purchase option issued to underwriters in our IPO).

#### **Concentration of ownership of our common stock after the Merger could delay or prevent a change of control.**

Our directors, executive officers and principal stockholders will beneficially own a significant percentage of our common stock after the Merger. They also have, through the exercise of warrants, the right to acquire additional shares of common stock. As a result, these stockholders, if acting together, have the ability to significantly influence the outcome of corporate actions requiring stockholder approval. Additionally, under the terms of the Merger Agreement, United and its members shall have the right to appoint up to three designees to serve on the Company's Board of Directors after the Merger is consummated. The concentration of ownership among management may have the effect of delaying or preventing a change in control of the post-acquisition company even if such a change in control would be in your interest. As of August 29, 2008, our directors, officers and principal stockholders beneficially owned approximately 20% of FMG's common stock. Following the Merger, the former members of United joining our board of directors will beneficially own approximately 15% of the common stock of FMG, and our reconstituted Board of Directors, management and principal stockholders will beneficially own approximately 23% of the common stock of FMG.

## **We may waive one or more conditions to the Merger without resoliciting stockholder approval for the Merger.**

One or more conditions to our obligation to complete the Merger may be waived in whole or in part to the extent legally allowable either unilaterally or by agreement of FMG, United and United Subsidiary. Waivable conditions include the accuracy of the representations and warranties contained in the Merger Agreement, performance of all covenants and obligations required to be performed prior to consummation of the Merger (other than approval of the required number of our stockholders and United's members and conversion of not more than 29.99% of our shares issued in the Company's IPO). These conditions may be waived unilaterally by any of the parties to the Merger Agreement. Depending upon the condition, our Board of Directors will evaluate the materiality of any such waiver to determine whether amendment to this proxy statement and

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re-solicitation of proxies is necessary. FMG will act in compliance with relevant state laws and U.S. securities laws with respect to determining whether an amendment to the proxy statement and re-solicitation of the proxies is necessary. In the event our Board of Directors determines any such waivers are not significant enough to require re-solicitation of stockholders, we would have the discretion to complete the Merger without seeking further stockholder approval.

## **There may be a conflict of interest between our management and our stockholders, which may have influenced management's decision to enter into the Merger Agreement, the private placement, the tender offer and the exchange offer as well as recommending our stockholders to vote in favor of the Merger.**

Our officers and directors will not receive reimbursement for any out-of-pocket expenses incurred by them to the extent such expenses exceed the amount of proceeds available to the Company for working capital, unless a business combination is completed. In addition, if we do not complete the Merger or another business combination and are forced to liquidate, the trust account proceeds may be subject to claims that could take priority over the claims of our public stockholders. Gordon G. Pratt, our current President and Chief Executive Officer, and Larry G. Swets, Jr., our current Chief Financial Officer and Secretary, have each entered into separate indemnity agreements under which they will be personally liable under certain circumstances to ensure that the proceeds of the trust account are not reduced by the claims of various vendors that are owed money by us for services rendered or contracted for, or claims of other parties with which we have contracted. Further, all of our directors own common stock and warrants purchased in private placements consummated prior to our IPO, but have waived their right to proceeds from the liquidation of the trust account if we are unable to complete a business combination. The shares of common stock and warrants owned by our officers and directors and their affiliates will be worthless if we do not consummate a business combination. The financial interests of all of our officers and directors may have influenced their motivation in causing us to enter into the Merger Agreement, the private placement, the exchange offer and the tender offer as well as recommending our stockholders to vote in favor of the Merger.

## **Completion of the Merger is subject to a number of conditions.**

The obligations of FMG, United and United Subsidiary to consummate the Merger are subject to the satisfaction or waiver of specified conditions set forth in the Merger Agreement. Such conditions include, but are not limited to,

satisfaction by all parties of covenants and obligations contained in the Merger Agreement, the private placement, including the exchange offer, and the tender offer, all shall have taken place, the accuracy in all material respects on the date of the Merger Agreement and the Closing Date of all of FMG's and United's representations and warranties, non-existence of legal action against FMG, United and United Subsidiary, effectiveness of the registration statement of which this proxy statement/prospectus is part, obtaining material consents, approval of the required number of our stockholders and United's members and conversion of not more than 29.99% of our shares issued in the Company's IPO, stockholder approval of the First and Second Amendment Proposals, and execution of ancillary agreements. It is possible some or all of these conditions will not be satisfied or waived by any of FMG, United or United Subsidiary, and therefore, the Merger may not be consummated. See Conditions to the Consummation of the Merger. In the event the Merger is not consummated, we will seek to effectuate a different business combination.

**The sale or even the possibility of sale of the common stock and warrants to be issued to United and its members could have an adverse effect on the price of FMG's securities and make it more difficult to obtain financing in the future.**

In connection with the Merger, we agreed to grant to United and their members, 8,750,000 shares of common stock and 1,093,750 warrants as part of the consideration. The sale or even the possibility of sale of these shares and the shares underlying the warrants could have an adverse effect on the price of our securities on the equity market and on our ability to obtain financing in the future, in the event such financing is required. We do not expect to seek debt or equity financing for at least the first twelve months following consummation of the Merger. At the time any financing is required, we will make a determination of the preferred form of such financing and the type of financing source to approach (e.g. debt or equity or bank line of credit).

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**Management of the Company following the Merger will have broad discretion with respect to the specific application of the net proceeds of the trust account.**

In the event the Merger is consummated, the amounts then-remaining in the trust account will be released to the Company, which will have unlimited discretion as to the use of such proceeds. Management may use these proceeds in a manner with which you may not agree.

**We are restricted from paying cash dividends on our common stock.**

We have not paid or declared any dividends on our common stock and do not currently intend to do so. Accordingly, you should not expect to receive any dividends for your shares of FMG common stock. In addition, the note purchase agreement includes a negative covenant, restricting us from making any dividends or distributions, if after giving effect to such payment, the consolidated net worth (as defined in the note purchase agreement) of the Company and its subsidiaries would be less than \$45,000,000. Accordingly, you should not expect to receive any dividends for your shares of FMG common stock.

**Risks Related to United's Business**

## **Exposure to natural and man-made catastrophes could materially and adversely affect United s results of operations, financial condition and liquidity.**

United s property and casualty insurance operations expose it to claims arising out of catastrophes. Catastrophes can be caused by various natural events, including hurricanes, windstorms, earthquakes, hail, severe winter weather and fires. Catastrophes can also be man-made, such as terrorist attacks (including those involving nuclear, biological, chemical or radiological events) or consequences of war or political instability. The incidence and severity of catastrophes are inherently unpredictable. It is possible that both the frequency and severity of natural and man-made catastrophic events will increase. Although the trend of increased severity and frequency of storms was not evident in the United States in 2007 and 2006, it is possible the overall trend of increased severity and frequency of storms experienced in the United States in 2005 and 2004, and in the Caribbean during 2007, may continue in the foreseeable future.

Catastrophes can result in losses in United s property insurance lines and may generally result in both an increase in the number of claims incurred and an increase in the dollar amount of each claim asserted. The occurrence of such claims from natural and man-made catastrophes could therefore materially and adversely affect United s results of operations for any year and may materially harm its financial position, which in turn could adversely affect its financial strength and impair its ability to raise capital on acceptable terms or at all. In addition, catastrophic events could cause United to exhaust its available reinsurance limits and could adversely impact the cost and availability of reinsurance. Such events can also impact the credit of its reinsurers. Catastrophic events could also adversely impact the credit of the issuers of securities, such as states or municipalities, in whom United has invested, which could materially and adversely affect United s results of operations.

In addition to catastrophes, the accumulation of losses from smaller weather-related events in a fiscal quarter or year could materially and adversely impact United s results of operations in those periods.

## **United s ability to manage its exposure to catastrophic events may be limited by new legislation and regulations.**

States have from time to time passed legislation, and regulators have taken action, that has the effect of limiting the ability of insurers to manage catastrophe risk, such as legislation prohibiting insurers from reducing exposures or withdrawing from catastrophe-prone areas or mandating that insurers participate in residual markets. In addition, following catastrophes, there are sometimes legislative initiatives and court decisions which seek to expand insurance coverage for catastrophe claims beyond the original intent of the policies. Further, United s ability to increase pricing to the extent necessary to offset rising costs of catastrophes requires approval of regulatory authorities. United s ability or willingness to manage its catastrophe exposure by raising prices, modifying underwriting terms or reducing exposure to certain geographies may be limited due to considerations of public policy, the evolving political environment and United s ability to penetrate other geographic markets. United cannot predict whether and to what extent new legislation and regulations

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that would affect its ability to manage its exposure to catastrophic events will be adopted, the timing of adoption or the effects, if any, they would have on United s ability to manage its exposure to catastrophic events.

**Because United currently conducts business in only one state, its financial results may be disproportionately affected by catastrophes and other conditions in that state.**

United's business is currently concentrated in only one state—the State of Florida. Therefore, its revenues and profitability are subject to prevailing regulatory, legal, economic, political, demographic, competitive, weather and other conditions in the State of Florida. Changes in any of these conditions could make it less attractive for United to do business in Florida and would have a more pronounced effect on United than it would on other insurance companies that are geographically diversified. In addition, the fact United's business is concentrated only in the State of Florida subjects it to increased exposure to certain catastrophic events such as hurricanes and floods. This increased exposure to catastrophic events also results in an increased risk of losses as the extent of losses from a catastrophic event is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Because United's business is concentrated in Florida, the occurrence of one or more catastrophic events or other conditions affecting losses in Florida could have a material adverse effect on United's financial condition and results of operations.

**If market conditions increase the cost or decrease the availability of reinsurance, United may be required to bear increased risks or reduce the level of its underwriting commitment.**

As part of United's risk management strategy, it purchases reinsurance coverage from third-party reinsurers. Market conditions beyond United's control, including catastrophic events, determine the availability and cost of the reinsurance it purchases, which may in turn affect the growth of its business and its profitability. United may be unable to maintain its current reinsurance coverage, to obtain additional reinsurance coverage in the event its current reinsurance limits are exhausted by a catastrophic event, or to obtain other reinsurance coverage in adequate amounts or at acceptable rates. Similar risks exist whether United is seeking to replace coverage terminated during the applicable coverage period or to renew or replace coverage upon the expiration of such coverage. If United is unable to renew its expiring coverage or to obtain new reinsurance coverage, either its net exposure to risk would increase or, if it is unwilling to accept an increase in net risk exposures, United would have to reduce the amount of risk it underwrites.

**A single catastrophe could cause us to exhaust available reinsurance limits and could adversely impact the cost and availability of reinsurance.**

In the event United exhausts its available reinsurance limits, it may have to pay any future claims out of its own pocket. Alternatively, they could seek additional sources of reinsurance, which can be expected to be a costly and time consuming process which may not ultimately be successful. In the event United is successful in finding an additional or replacement reinsurer, such reinsurance policy can be expected to be costly. Catastrophic events can also impact the credit of United's reinsurers and the credit of the issuers of securities, such as states or municipalities, in whom United has invested, any of which could materially and adversely affect United's results of operations.

**If United's actual claims exceed its loss reserves, its financial results could be materially and adversely affected.**

If actual claims exceed United's loss reserves, or if changes in the estimated level of loss reserves are necessary, United's financial results could be materially and adversely affected. Claims and claim adjustment expense reserves (loss reserves) represent management's estimate of ultimate unpaid costs of losses and loss adjustment expenses for claims that have been reported and claims that have been incurred but not yet reported. Loss reserves do not represent

Because United currently conducts business in only one state, its financial results may be disproportionately affected



an exact calculation of liability, but instead represent management estimates, generally utilizing actuarial expertise and projection techniques, at a given accounting date. These loss reserve estimates are expectations of what the ultimate settlement and administration of claims will cost upon final resolution in the future, based on United's assessment of facts and circumstances then known, reviews of historical settlement patterns, estimates of trends in claims severity and frequency, expected interpretations of legal theories of liability and other factors. In establishing reserves, United has also taken into account estimated recoveries from reinsurance, salvage and subrogation.

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The process of estimating loss reserves involves a high degree of judgment and is subject to a number of variables. These variables can be affected by both internal and external events, such as changes in claims handling procedures, economic inflation, legal trends and legislative changes, and varying judgments and viewpoints of the individuals involved in the estimation process, among others. The impact of many of these items on ultimate costs for claims and claim adjustment expenses is difficult to estimate. Loss reserve estimation difficulties also differ significantly by product line due to differences in claim complexity, the volume of claims, the potential severity of individual claims, the determination of occurrence date for a claim and reporting lags (the time between the occurrence of the policyholder event and when it is actually reported to the insurer).

United continually refines its loss reserve estimates in a regular, ongoing process as historical loss experience develops and additional claims are reported and settled. Informed judgment is applied throughout the process, including the application of various individual experiences and expertise to multiple sets of data and analyses. Different experts may choose different assumptions when faced with material uncertainty, based on their individual backgrounds, professional experiences and areas of focus. Hence, such experts may at times produce estimates materially different from each other. Experts providing input to the various estimates and underlying assumptions include actuaries, underwriters, claims personnel and lawyers. Therefore, management may have to consider varying individual viewpoints as part of its estimation of loss reserves.

United attempts to consider all significant facts and circumstances known at the time loss reserves are established.

Due to the inherent uncertainty underlying loss reserve estimates, the final resolution of the estimated liability for claims and claim adjustment expenses will likely be higher or lower than the related loss reserves at the reporting date.

Therefore, actual paid losses in the future may yield a materially different amount than is currently reserved.

Because of the uncertainties set forth above, additional liabilities resulting from one insured event, or an accumulation of insured events, may exceed the current related reserves. In addition, our estimate of claims and claim adjustment expenses may change. These additional liabilities or increases in estimates, or a range of either, cannot now be reasonably estimated and could materially and adversely affect United's results of operations.

### **There are inherent difficulties in estimating the ultimate costs of catastrophes, which further complicate our ability to estimate reserves.**

There are inherent difficulties in estimating risks that impact the estimation of ultimate costs for catastrophes. These difficulties also affect United's ability to estimate reserves for catastrophes. For example, the estimation of reserves related to hurricanes can be affected by the inability to access portions of the impacted areas, the complexity of factors contributing to the losses, the legal and regulatory uncertainties and the nature of the information available to establish the reserves. Complex factors include, but are not limited to, determining whether damage was caused by flooding versus wind; evaluating general liability and pollution exposures; estimating additional living expenses; the impact of demand surge; infrastructure disruption; fraud; the effect of mold damage; business interruption costs; and reinsurance collectibility. The timing of a catastrophe's occurrence, such as at or near the end of a reporting period, can also affect

If United's actual claims exceed its loss reserves, its financial results could be materially and adversely affected.

the information available to United in estimating reserves for that reporting period. The estimates related to catastrophes are adjusted as actual claims emerge and additional information becomes available. Because of the inherent uncertainty in estimating reserves for catastrophes, we cannot be sure that our ultimate losses and loss adjustment expenses will not exceed our reserves. If and to the extent that our reserves are inadequate, we will be required to increase our reserves for losses and loss adjustment expenses and incur a charge to earnings in the period during which our reserves are increased, which could materially and adversely affect our financial condition and results of operations.

### **United's business is cyclical, which affects its financial performance and may affect the market price of the combined company's common stock.**

Historically, the financial performance of the property and casualty insurance industry has been cyclical, characterized by periods of severe price competition and excess underwriting capacity, or soft markets, followed by periods of high premium rates and shortages of underwriting capacity, or hard markets. The

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profitability of most property and casualty insurance companies, including United, tend to follow this cyclical pattern. This cyclicity is due in large part to the actions of United's competitors and to general economic factors that are not within United's control, and therefore, United cannot predict how long any given hard or soft market will last. If United has to reduce premiums or limit premium increases due to competitive pressures on pricing in a softening market, United may experience a reduction in its premiums written and in its profit margins and revenues, which could adversely affect United's financial results and the market price of the combined company's common stock.

### **United's business is seasonal, which affects its financial performance and may affect the market price of the combined company's common stock.**

United's business has historically been seasonal. We generally experience higher losses during the third quarter of the year as a result of an increase in claims due to weather conditions in Florida during hurricane season. For example, storms may cause property damage that impacts claim incidence and severity. The recurrence of these seasonal patterns, or any deviation from them, could affect the market price of our common stock.

### **The market price of our common stock may be volatile.**

The trading price of our common stock following the Merger may fluctuate substantially, depending on many factors, some of which are beyond our control and may not be related to our operating performance. Factors that could cause such fluctuations include, but are not limited to, the following:

variations in actual or anticipated operating results or changes in the expectations of financial market analysts with respect to our results;

investor perception of the property and casualty insurance industry in general and us in particular;  
market conditions in the insurance industry and any significant volatility in the market price and trading volume of insurance companies;

major catastrophic events, especially hurricanes;  
sales of large blocks of Company stock or sales by Company insiders; or  
departures of key personnel.

There are inherent difficulties in estimating the ultimate costs of catastrophes, which further complicate our ability to

**United has debt outstanding and failure to comply with the terms of its loan agreements could have an adverse effect on United's ability to grow and write additional insurance policies.**

As of June 30, 2008, United's total long-term debt outstanding was approximately \$25.2 million. Its long-term debt includes the following:

\$5.2 million in principal amount outstanding under the loan agreement between Columbus Bank and Trust Company (CB&T), United, and United Insurance Management, L.C. (UIM) consisting of a term loan in the principal amount of \$33 million; and  
\$20.0 million in principal and interest under UPCIC's surplus note with the State Board of Administration of Florida (SBA).

These loan agreements contain certain significant covenants, including covenants requiring the maintenance of minimum specified financial ratios and balances. United's failure to meet its payment obligations or to comply with any of these covenants could result in an event of default which, if not cured or waived, could result in increased interest rates on United's indebtedness or the acceleration of United's outstanding debt obligations or both. In addition, if an event of default occurs under one of these loan agreements, CB&T can elect to take possession of, sell, lease or otherwise dispose of any of United's assets that were pledged as collateral for its loan.

As of December 31, 2007 and June 30, 2008, UPCIC was not in compliance with the ratio of net written premium to surplus requirement of 2:1 (the Minimum Writing Ratio) contained in the SBA loan agreement. As a result, the SBA increased UPCIC's interest rate on the SBA loan from the stated rate of interest by 450

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basis points to 8.60% for the quarter ended March 31, 2008 and 7.97% for the quarter ended June 30, 2008. UPCIC's ratio of net written premium to surplus at June 30, 2008 was 1.52:1 which is at least 1.5:1 and, as a result, UPCIC will incur an interest rate charge of 25 basis points above the stated rate of interest for the third quarter of 2008. During the second quarter of 2008, the Florida Legislature passed a law that allows the board to amend the terms of surplus notes issued prior to January 1, 2008 based upon the requirements of the new law changes. The new law contains various methods of computing writing ratios that may be more favorable than the terms of the current SBA note. United is evaluating the impact of the terms of the new law to determine if it will amend the terms of its loan agreement with the SBA. If UPCIC's ratio of net written premium to surplus is below 1.5:1 for three consecutive quarters following December 31, 2007, UPCIC will be obligated to repay a portion of the SBA note such that the Minimum Writing Ratio will be obtained for the following quarter.

The SBA note provides that the SBA may, among other things, declare its loan immediately due and payable for all defaults existing under the SBA note. Acceleration of the principal and interest under the SBA loan would limit, but not preclude, United Insurance's ability to write additional insurance policies.

**The effects of emerging claim and coverage issues on the insurance business are uncertain.**

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claim and coverage may emerge. These issues may adversely affect United's business following the Merger by either extending coverage beyond its underwriting intent or by increasing the number or size of claims. Examples of emerging claims and coverage issues include, but are not limited to:

adverse changes in loss cost trends, including inflationary pressures in medical costs and home repair costs; judicial expansion of policy coverage and the impact of new theories of liability; and plaintiffs targeting property and casualty insurers, in purported class action litigation relating to claims-handling and other practices.

In some instances, these emerging issues may not become apparent for some time after issuance of the affected insurance policies. As a result, the full extent of liability under insurance policies we may issue following the Merger may not be known for many years after the policies are issued.

The effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict and could harm United's business and materially and adversely affect our results of operations and future operations.

**United may not be able to collect all amounts due to it from reinsurers, and reinsurance coverage may not be available in the future at commercially reasonable rates or at all.**

United uses, and we expect to continue to use following the Merger, reinsurance to help manage our exposure to property and casualty risks. The availability and cost of reinsurance are each subject to prevailing market conditions which can affect business volume and profitability. Although reinsurers are liable to United to the extent of the ceded reinsurance, United remains liable as the direct insurer on all risks reinsured. As a result, ceded reinsurance arrangements do not eliminate United's obligation to pay claims. Accordingly, United is subject to credit risk with respect to its ability to recover amounts due from reinsurers. In the past, certain reinsurers have ceased writing business and entered into runoff. Some of United's reinsurance claims may be disputed by the reinsurers, and United may ultimately receive partial or no payment.

In a number of jurisdictions, particularly the European Union and the United Kingdom, a reinsurer is permitted to transfer a reinsurance arrangement to another reinsurer, which may be less creditworthy, without a counterparty's consent, provided that the transfer has been approved by the applicable regulatory and/or court authority. United does not currently have any reinsurance arrangements that permit such a transfer. However, United may enter into such arrangements in the future, in which case the ability of reinsurers to transfer their risks to other, less creditworthy reinsurers would impact United's risk of collecting amounts due to it.

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Based on the foregoing, United may not be able to collect all amounts due to it from reinsurers, and reinsurance coverage may not be available to it in the future at commercially reasonable rates or at all, and thus United's results of operations and future operations could be materially and adversely affected.

**We will be exposed to credit risk in certain of our business operations and in our investment portfolio.**

We will be exposed to credit risk in several areas of our business operations, including credit risk relating to reinsurance, as discussed above, and credit risk associated with commissions paid to independent agents. We pay commissions to our agents in advance, on an annual basis. Therefore, if an insurer cancels a policy during the policy year, the agent will owe us a pro rata portion of the commission we paid to such agent, based on the number of months during the policy year that the policy was not in force. Typically, we deduct any such commissions owed to us from commissions on other policies we owe to the agent. If we do not owe the agent any other commissions, then we will be subject to the risk that the agent may not be able to repay us the balance of a commission, which could adversely

The effects of emerging claim and coverage issues on the insurance business are uncertain.

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affect our financial position.

The value of our investment portfolio will also be subject to the risk that certain investments may become impaired due to a deterioration in the financial position of one or more issuers of securities held in our portfolio, or due to a downgrade of the credit ratings of an insurer that guarantees an issuer's payments of such investments in our portfolio. In addition, defaults by the issuer and, where applicable, its guarantor, of certain investments that result in the failure of such parties to fulfill their obligations with regard to any of these investments could reduce our net investment income and net realized investment gains or result in investment losses.

While we will attempt to manage these risks through underwriting and investment guidelines, collateral requirements and other oversight mechanisms, our efforts may not be successful. To a large degree, the credit risk we face is a function of the economy; accordingly, we face a greater risk in an economic downturn or recession. As a result, our exposure to any of the above credit risks could materially and adversely affect our results of operations.

### **Competition could harm our ability to maintain or increase United's profitability and premium volume following the Merger.**

The property and casualty insurance industry is highly competitive, and we believe it will remain highly competitive for the foreseeable future. We compete with both regional and national insurers as well as Florida domestic property and casualty companies, some of which have greater financial resources than we do. Based on legislation passed in 2007, Citizens Property Insurance Corporation (Citizens), a Florida state-supported insurer, is also authorized to compete with us. Our primary competitors include Universal Insurance Company of North America, Olympus Insurance Group and Universal Property & Casualty. The principal competitive factors in our industry are price, service, commission structure and financial condition. In addition, our competitors may offer products for alternative forms of risk protection. If competition limits our ability to retain existing business or write new business at adequate rates, our results of operations could be materially and adversely affected.

### **The insurance industry is the subject of a number of investigations by state and federal authorities in the United States. We cannot predict the outcome of these investigations or the impact on our business practices or financial results.**

As part of ongoing, industry-wide investigations, we may from time to time receive subpoenas and written requests for information from government agencies and authorities, including from the Attorney General of the State of Florida, Florida insurance and business regulators and the Securities and Exchange Commission. If we are subpoenaed for information by government agencies and authorities, potential outcomes could include enforcement proceedings or settlements resulting in fines, penalties and/or changes in business practices that could materially and adversely affect our results of operations and future growth prospectus. In addition, these investigations may result in changes in laws and regulations affecting the industry in general which could, in turn, also materially and adversely affect our results of operations.

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### **The insurance business is heavily regulated and changes in regulation may reduce our profitability and limit our growth following the Merger.**

Following the Merger, we will be extensively regulated and supervised in the jurisdictions in which we conduct business, including licensing and supervision by government regulatory agencies in such jurisdictions. This regulatory system is generally designed to protect the interests of policyholders, and not necessarily the interests of insurers, their stockholders and other investors. This regulatory system also addresses authorization for lines of business, capital and surplus requirements, limitations on the types and amounts of certain investments, underwriting limitations, transactions with affiliates, dividend limitations, changes in control, premium rates and a variety of other financial and non-financial components of an insurer's business.

In recent years, the state insurance regulatory framework has come under increased federal scrutiny, and some state legislatures have considered or enacted laws that may alter or increase state authority to regulate insurance companies and insurance holding companies. Further, the National Association of Insurance Commissioners (NAIC) and state insurance regulators continually reexamine existing laws and regulations, specifically focusing on modifications to holding company regulations, interpretations of existing laws and the development of new laws and regulations. In addition, Congress and some federal agencies from time to time investigate the current condition of insurance regulation in the United States to determine whether to impose federal or national regulation or to allow an optional federal charter, similar to the option available to most banks. We cannot predict the effect any proposed or future legislation or NAIC initiatives may have on the conduct of our business following the Merger.

Although the United States federal government does not directly regulate the insurance business, changes in federal legislation, regulation and/or administrative policies in several areas, including changes in financial services regulation (e.g., the repeal of the McCarran-Ferguson Act) and federal taxation, can significantly harm the insurance industry.

Insurance laws or regulations that are adopted or amended may be more restrictive than current laws or regulations and may result in lower revenues and/or higher costs and thus could materially and adversely affect our results of operations and future growth prospectus.

### **A downgrade in United States financial strength rating could adversely impact our business volume, adversely impact our ability to access the capital markets and increase our borrowing costs, following the Merger.**

Financial strength ratings have become increasingly important to an insurer's competitive position. Rating agencies review their ratings periodically, and our current ratings may not be maintained in the future. A downgrade in our rating following the Merger could negatively impact our business volumes, as it is possible demand for certain of our products in certain markets may be reduced or our ratings could fall below minimum levels required to maintain existing business. Additionally, we may find it more difficult to access the capital markets and we may incur higher borrowing costs. If significant losses, such as those resulting from one or more major catastrophes, or significant reserve additions were to cause our capital position to deteriorate significantly, or if one or more rating agencies substantially increase their capital requirements, we may need to raise equity capital in the future in order to maintain our ratings or limit the extent of a downgrade. For example, a continued trend of more frequent and severe weather-related catastrophes may lead rating agencies to substantially increase their capital requirements.

### **Our investment portfolio may suffer reduced returns or losses.**

Investment returns are expected to be an important part of our overall profitability following the Merger. Accordingly, fluctuations in interest rates or in the fixed income, real estate, equity or alternative investment markets could materially and adversely affect our results of operations.

Changes in the general interest rate environment will affect our returns on, and the market value of, our fixed income and short-term investments following the Merger. A decline in interest rates reduces the returns available on new

The insurance business is heavily regulated and changes in regulation may reduce our profitability and limit our growth.

investments, thereby negatively impacting our net investment income. Conversely, rising interest rates reduces the market value of existing fixed income investments. In addition, defaults under, or impairments of, any of these investments as a result of financial problems with the issuer and, where applicable, its guarantor of the investment could reduce our net investment income and net realized investment gains or result in investment losses.

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We may decide to invest a portion of our assets following the Merger in equity securities or other investments, which are subject to greater volatility than fixed income investments. General economic conditions, stock market conditions and many other factors beyond our control can adversely affect the value of our non-fixed income investments and the realization of net investment income. As a result of these factors, we may not realize an adequate return on our investments, we may incur losses on sales of our investments and we may be required to write down the value of our investments, which could reduce our net investment income and net realized investment gains or result in investment losses.

The value of our investment portfolio can be subject to valuation uncertainties when the investment markets are dislocated. The valuation of investments is more subjective when the markets are illiquid and may increase the risk that the estimated fair value (i.e., the carrying amount) of the investment portfolio is not reflective of prices at which actual transactions would occur.

Our investment portfolio may be invested, in significant part, in tax-exempt obligations. Our portfolio may also benefit from certain other tax laws, including, but not limited to, those governing dividends-received deductions and tax credits. Federal and/or state tax legislation could be enacted that would lessen or eliminate some or all of these tax advantages and could adversely affect the value of our investment portfolio. This result could occur in the context of deficit reduction or various types of fundamental tax reform.

**United depends on its network of independent agents for revenues, and therefore, United's business may be materially and adversely affected if it cannot retain and attract independent agents or if it experiences disruptions in its relationships with its independent agents.**

United's network of 1,400 independent agents accounts for approximately 64% of the gross premiums on insurance policies that it writes and constitutes its primary distribution channel for its products. Many of United's competitors also rely on independent agents. Independent agents are not obligated to market or sell United's insurance products or consult with United. As a result, United must compete with other insurers for independent agents' business. Some of United's competitors may offer a larger variety of products, lower prices for insurance coverage and higher commissions for independent agents. If United's products, pricing and commissions do not remain competitive, United may find it more difficult to attract business from independent agents to sell its products. A material reduction in the amount of United's products that independent agents sell would negatively affect its results of operations. A certain portion of United's business is concentrated with relatively few agents. For example, for the six months ended June 30, 2008, and the year ended December 31, 2007, our top five agents produced 50% and 25%, respectively, of our gross premiums written. Loss of all or a substantial portion of the business provided through such agents and brokers could materially and adversely affect United's future business volume and results of operations.

United relies on Internet applications for the marketing and sale of certain products through its agents, and may increasingly rely on Internet applications and toll-free numbers for distribution following the Merger. If Internet disruptions occur causing United's independent agents frustration with its business platforms or distribution initiatives,

the resulting loss of business could materially and adversely affect United's future business volume and results of operations.

**We could be adversely affected if United's controls to ensure compliance with guidelines, policies and legal and regulatory standards are not effective.**

United's business is highly dependent on its ability to engage on a daily basis in a large number of insurance underwriting, claim processing and investment activities, many of which are highly complex and are subject to state laws and regulations in Florida. These activities, involve, among other things:

- the use of non-public consumer information and related privacy issues;
- the use of credit history in underwriting;
- limitations on the ability to charge additional policy fees;
- limitations on the payment of dividends;
- limitations on types and amounts of investments;

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the acquisition or disposition of an insurance company or of any company controlling an insurance company;  
the purchase of reinsurance;  
reporting with respect to financial condition; and

periodic financial and market conduct examinations performed by state insurance department examiners.

United develops internal guidelines and policies in an effort to ensure compliance with legal and regulatory standards governing its business. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system's objectives will be met. If United's controls prove to be ineffective, it could lead to financial loss, unanticipated risk exposure (including underwriting, credit and investment risk) or damage to United's reputation.

**United's failure to implement and maintain adequate internal controls over financial reporting in its business could have a material adverse effect on its business, financial condition, results of operations and stock price.**

If the Merger is consummated, United expects to comply with Section 404 of the Sarbanes-Oxley Act of 2002 no later than the time it is required to file its annual report for fiscal year 2008 with the Securities and Exchange Commission. Section 404 requires annual management assessments of the effectiveness of United's internal controls over financial reporting and a report by United's independent auditors on the effectiveness of our internal controls. United is in the process of documenting its internal control procedures in order to satisfy the requirements of Section 404. United has begun to take measures to address and improve its financial reporting and compliance capabilities and it is in the process of instituting changes to satisfy its obligations as a public company, including the requirements associated with the Sarbanes-Oxley Act of 2002.

If United fails to achieve and maintain the adequacy of its internal controls in accordance with applicable standards as then in effect, and as supplemented or amended from time to time, United may be unable to conclude on an ongoing basis that it has effective internal controls over financial reporting in accordance with Section 404. Moreover, effective internal controls are necessary for United to produce reliable financial reports. If United cannot produce reliable financial reports or otherwise maintain appropriate internal controls, its business, financial condition and results of operations could be harmed, investors could lose confidence in its reported financial information, and the market price for its stock could decline.

United depends on its network of independent agents for revenues, and therefore, United's business may be materially



**If we experience difficulties with technology, data security and/or outsourcing relationships following the Merger our ability to conduct our business could be negatively impacted.**

While technology can streamline many business processes and ultimately reduce the cost of operations, technology initiatives present certain risks. United's business is highly dependent upon its contractors and third-party administrators ability to perform, in an efficient and uninterrupted fashion, necessary business functions, such as the processing of new and renewal business, and the processing and payment of claims. Because our information technology and telecommunications systems interface with and depend on these third-party systems, we could experience service denials if demand for such service exceeds capacity or a third-party system fails or experiences an interruption. If sustained or repeated, such a business interruption, system failure or service denial could result in a deterioration of our ability to write and process new and renewal business, provide customer service, pay claims in a timely manner or perform other necessary business functions. Computer viruses, hackers and other external hazards could expose our data systems to security breaches. These increased risks, and expanding regulatory requirements regarding data security, could expose us to data loss, monetary and reputational damages and significant increases in compliance costs. As a result, our ability to conduct our business might be adversely affected.

**Attempts to grow our business could have an adverse effect on the Company.**

Although rapid growth may not occur, to the extent that it does occur, it could place a significant strain on our financial, technical, operational and administrative resources. Our planned growth may result in increased responsibility for both existing and new management personnel. Effective growth management will

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depend upon our ability to integrate new personnel, to improve our operational, management and financial systems and controls, to train, motivate and manage our employees, and to increase our services and capabilities. Our ability to effectively manage our future growth may have a material and adverse effect on our results of operations, financial condition, and viability as a business. In addition, growth may not occur or growth may not produce profits for the Company.

**United has entered into certain debt agreements, which may reduce our financial flexibility following the Merger.**

In February of 2007, United and UIM entered into a loan agreement with CB&T which provides for a term loan in the amount of \$33 million. The CB&T term note provides for accrual and monthly payment of interest on the amount of principal then outstanding under the note and provides for principal to be paid in 36 equal monthly installments of approximately \$0.9 million. On August 11, 2008, the CB&T agreement was modified to allow for payments of interest only from August 1, 2008 through March 31, 2009. The entire unpaid principal balance, as well as all accrued and unpaid interest thereon, will be due and payable no later than February 20, 2010.

On September 22, 2006, UPCIC entered into a surplus note with the SBA (the "SBA note"). Under the SBA note, which has a 20 year term, UPCIC is required to make quarterly payments (October 1, January 1, April 1, and July 1). For the first three years of the SBA note, UPCIC is only required to make interest payments. Because United Insurance failed to meet certain financial covenants contained in the SBA note, the interest rate under the SBA note was 8.6% for the first quarter of 2008 and 7.97% for the second quarter of 2008. UPCIC's ratio of net written premium to surplus at June 30, 2008 was 1.52:1 which is at least 1.5:1. As a result, UPCIC will incur an interest rate charge of 25 basis points

If we experience difficulties with technology, data security and/or outsourcing relationships following the Merger our

above the stated rate which is the 10 Year Constant Treasury rate for the third quarter of 2008. UPCIC has no debt service obligation under the SBA note until September 2009, and management does not anticipate making any debt payments on the loan during the fiscal year ended December 31, 2008.

We expect we will continue to have outstanding debt obligations under both the CB&T loan agreement and the SBA note following the Merger. This level of debt may affect our operations in several important ways, including the following:

a portion of our cash flow from operations is likely to be dedicated to the payment of the principal of and interest on this indebtedness;  
our ability to obtain additional financing in the future for working capital, capital expenditures or acquisitions may be limited;

we may be unable to refinance this indebtedness on terms acceptable to us, or at all; and  
we may default on our obligations and the lenders may accelerate the indebtedness or foreclose on their security interests that secure their loans.

**From time to time we may enter into additional secured credit facilities to finance any or all of the Company's capital requirements. Any such secured credit facility may have a material and adverse effect on the Company.**

From time to time following the Merger, we may enter into additional secured credit facilities to finance any or all of our capital requirements. As part of a secured credit facility, we would likely be required to make periodic payments of principal and interest to the lender. We can provide no assurance we will have cash flow in an amount sufficient to repay our debt obligations under any or all of such secured credit facilities. Furthermore, these secured credit facilities normally contain numerous default provisions and may or may not provide us with the possibility to cure a default before accelerating the due date. If this were to happen, we might not be able to repay any or all of our secured debts in full and might be forced to declare bankruptcy. If the lender is a secured lender, the lender would have a priority right to receive repayment from a bankruptcy estate or may have the right to foreclose on the secured assets if we are not in bankruptcy but are in default of its secured contract. In addition, a default under any secured credit facility may force us to seek bankruptcy protection. As such, the fact that we may, from time to time, enter into secured credit facilities

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with any person, business, or organization, whether related or unrelated, may have a material and adverse effect on the financial position, results of operations and viability of the Company.

## **Risks Related to the Company's Current Status as a Blank Check Company**

**Our sponsor warrants are non-redeemable provided they are held by the initial purchasers or their permitted transferees, which could provide such purchasers the ability to realize a larger gain than our public warrants holders.**

As set forth above, the warrants held by our public warrant holders may be called for redemption at any time after the warrants become exercisable upon satisfaction of certain conditions. However, the 1,250,000 warrants (less such

number as is forfeited pursuant to the Merger Agreement) purchased by our founders are not subject to redemption. As a result, holders of the insider warrants, or their permitted transferees, could realize a larger gain than our public warrant holders.

**Our directors may not be considered independent under the policies of the North American Securities Administrators Association, Inc. and we thus may not have the benefit of independent directors examining our financial statements and the propriety of expenses incurred on our behalf subject to reimbursement.**

All of our officers and directors own shares of our common stock and will own common stock following consummation of the Merger. No salary or other compensation has been or will be paid to our officers or directors for services rendered by them on our behalf prior to or in connection with the Merger. Although we believe three of the members of our Board of Directors are independent as that term is commonly used, under the policies of the North American Securities Administrators Association, Inc., because our directors may receive reimbursement for out-of-pocket expenses incurred by them in connection with activities on our behalf such as identifying potential merger partners and performing due diligence on suitable business combinations, it is likely state securities administrators would take the position we do not have the benefit of independent directors examining the propriety of expenses incurred on our behalf and subject to reimbursement. Additionally, there is no limit on the amount of out-of-pocket expenses that could be incurred and there is no review of the reasonableness of the expenses by anyone other than our Board of Directors, which would include persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged. Although we believe all actions taken by our directors on our behalf have been and will be in our best interests, whether or not any directors are deemed to be independent, we cannot assure you this will actually be the case. If actions are taken or expenses are incurred that are actually not in our best interests, it could have a material adverse effect on our business and operations and the price of our stock held by the public stockholders.

**Our outstanding warrants may have an adverse effect on the market price of common stock and make it more difficult to obtain public financing in the future.**

In connection with the IPO, we issued warrants to purchase 4,733,625 shares of common stock. In connection with the Merger, we will issue an additional 1,093,750 warrants, plus up to an additional 212,877 warrants. Furthermore, certain of our directors own an aggregate of 1,099,266 shares of common stock and 1,250,000 warrants (to the extent not forfeited pursuant to the Merger Agreement). The sale or even the possibility of sale, of the shares underlying these warrants, could have an adverse effect on the price for our securities on the equity market and on our ability to obtain public financing in the future. If and to the extent these warrants are exercised, you may experience dilution to your holdings which may correspond with a decline in value of the market price for our stock.

**If our initial stockholders exercise their registration rights, it may have an adverse effect on the market price of our common stock.**

Our initial stockholders are entitled to require us to register the resale of their shares of common stock at any time after the date on which their shares are released from escrow, which, except in limited circumstances, will not be before the one year anniversary of the consummation of a business combination. If our initial stockholders exercise their registration rights with respect to all of their 1,183,406 shares of common stock and the shares of common stock underlying the 1,250,000 warrants, then there will be an additional

Our sponsor warrants are non-redeemable provided they are held by the initial purchasers or their permitted transferees.

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2,433,406 shares of common stock (less such number as is forfeited by FMG Investors LLC pursuant to the Merger Agreement) eligible for trading in the public market, assuming the Merger is approved. The presence of this additional number of shares of common stock eligible for trading in the public market may have an adverse effect on the market price of our common stock.

**Provisions in our charter documents and Delaware law may inhibit a takeover of us, which could limit the price potential investors might be willing to pay in the future for our common stock and could entrench management.**

Our charter and bylaws contain provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. 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. As a result, at any annual meeting not all of the Board of Directors will be considered for election. Since our staggered board could prevent our stockholders from replacing a majority of our Board of Directors at any annual meeting, it may entrench management and discourage unsolicited stockholder proposals that may be in the best interests of stockholders.

Moreover, our Board of Directors has the ability to designate the terms of and issue new series of preferred stock which could be issued to create different or greater voting rights which may affect an acquiror's ability to gain control of the Company.

We are also subject to anti-takeover provisions under Delaware law, which could delay or prevent a change of control. Together these provisions may make more difficult the removal of management and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities.

**If we are forced to declare bankruptcy prior to consummation of our initial business combination, you may receive less than \$7.91 per share from the trust account.**

If we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us under Chapters 7 or 11 of the United States Bankruptcy Code, and that claim is not dismissed, the funds held in our trust account will be subject to applicable bankruptcy law and may be included in our bankruptcy estate. Furthermore, the estate may be subject to administrative expenses, including but not limited to post-petition legal fees including court costs, the securitization of cash collateral to maintain the business as a going concern, obtaining additional financing, taxes owed, and claims of both secured and unsecured third parties with priority over those claims of our public stockholders. To the extent bankruptcy claims deplete the trust account; we cannot assure you we will be able to return to our public stockholders the liquidation amounts due to them. Accordingly, the actual per share amount distributed from the trust account to our public stockholders could be significantly less than approximately \$7.91 per share due to the claims of creditors. This amount has been calculated without taking into account interest earned on the trust account. Claims by creditors could cause additional delays in the distribution of trust accounts to the public stockholders beyond the time periods required to comply with the Delaware General Corporation Law procedures and federal securities laws and regulations.

## **Risks Related to the Private Placement and Exchange Offer**

### **The Notes issued in the private placement and will rank senior to our common stock with respect to distributions upon our liquidation.**

The Notes issued in the private placement will rank senior to our common stock for purposes of any liquidation event. Accordingly, as long as any Notes are outstanding, no distributions upon liquidation may be made to the holders of our common stock unless the holders of the Notes have received all amounts to which they are then entitled under the Notes. As a result, it is possible that, upon liquidation, all of the amounts available for distribution to our equity holders would be paid to the holders of the Notes and our stockholders would not receive any payment.

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### **After the private placement and exchange offer, holders of the Notes may have influence or control over our management and affairs.**

The note purchase agreement includes certain negative covenants, which restrict the Company from engaging in certain activities. Accordingly, the Company's ability to incur additional debt, sell or lease its assets, make any payment to reduce its capital (including paying any dividends), merge, sell or acquire assets, change its line of business or dissolve will be limited. A majority of the holders of the Notes have the discretion to waive certain of these negative covenants. As a result, these holders may have influence or control over our management and affairs and could make it more difficult or even impossible for a third party to acquire FMG without its consent.

## **Risks Relating to the Tender Offer**

### **A stockholder is not guaranteed to be able to sell all of its shares to us as part of the tender offer.**

On August 29, 2008, we commenced a tender offer to repurchase up to 3,320,762 shares of our common stock (reduced by the number of shares for which conversion is elected) at a price of \$8.05 per share. Due to the fact there will be 3,864,060 shares of common stock outstanding after the exchange of shares that are not held by the founding stockholders, who have agreed not to tender any shares, it is possible the tender offer will be oversubscribed. In such an event, we will purchase the shares pro rata, which means that each stockholder who accepts the offer will have only a portion of such stockholder's shares bought by us. Consequently, a stockholder cannot be assured it will be able to sell all of its shares to us as part of the tender offer.

### **If certain events do not take place, FMG will not complete the tender offer.**

FMG plans to use the proceeds of the private placement to complete the tender offer. The private placement is conditioned on stockholder approval of Proposals 1, 2, 3 and 5. If Proposals 1, 2, 3 and 5 are not approved by stockholders, FMG will not complete the tender offer.

## **We may encounter delays in completing the tender offer.**

The tender offer will be made only pursuant to the terms of the Schedule TO and an offer to purchase which we filed with the SEC in connection with our planned tender offer. Such tender offer will be effected in compliance with the requirements of Rule 13e-4 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and all other applicable securities laws and regulations. There can be no assurance we will not encounter delays in completing the tender offer as a result of our need to comply with applicable securities laws.

## **Our repurchase of shares pursuant to our planned tender offer could reduce the liquidity of the trading market for our common stock.**

The tender of a significant number of outstanding shares of common stock to FMG in the tender offer would decrease the number of outstanding shares available for sale in the public market and therefore could adversely affect the liquidity of the trading market for our common stock. Such diminished liquidity could have an adverse effect on the market price of our common stock following the completion of the tender offer.

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## **FORWARD-LOOKING STATEMENTS**

We believe some of the information in this proxy statement/prospectus constitutes forward-looking statements. You can identify these statements by forward-looking words such as may, expect, anticipate, contemplate, believe, estimate, intends, and continue or similar words. You should read statements that contain these words carefully because they:

discuss future expectations;  
contain projections of future results of operations or financial condition; and  
state other forward-looking information.

There may be events in the future the Company is not able to accurately predict or over which the Company has no control. The risk factors and cautionary language discussed in this proxy statement/prospectus provide examples of risks, uncertainties and events which may cause actual results to differ materially from the expectations described by the Company in its forward-looking statements, including among other things:

changing interpretations of generally accepted accounting principles;  
the general volatility of the market price of our securities;  
the availability of qualified personnel;  
changes in interest rates or the debt securities markets  
outcomes of government reviews, inquiries, investigations and related litigation;  
continued compliance with government regulations;

legislation or regulatory environments, requirements or changes adversely affecting the businesses in which United is engaged;

statements about industry trends;  
general economic conditions; and  
geopolitical events.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement/prospectus.

All forward-looking statements included herein attributable to the Company, United or any person acting on either party's behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We caution you that these statements are based on a combination of facts currently known by FMG and United and our projections of the future, about which we cannot be certain. Except to the extent required by applicable laws and regulations, the Company undertakes no obligation to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

Before you grant your proxy or instruct how your vote should be cast or vote on the approval of the Merger you should be aware that the occurrence of the events described in the Risk Factors section and elsewhere in this proxy statement/prospectus could have a material adverse effect on the Company, or United, upon completion of the Merger, private placement and tender offer.

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# THE COMPANY SPECIAL MEETING OF STOCKHOLDERS

## The Company Special Meeting

The Company is furnishing this proxy statement to you as part of the solicitation of proxies by the Company Board of Directors for use at the Special Meeting in connection with the proposed Acquisition, the proposed First Amendment, the proposed Second Amendment, the proposed Third Amendment, the proposed Director elections and the proposed Adjournment. This proxy statement provides you with the information you need to be able to vote or instruct your vote to be cast at the Special Meeting.

## Date, Time and Place

The Special Meeting will be held at , Eastern Time, on , 2008, at the offices of , to vote on each of the Merger Proposal, the First Amendment Proposal, the Second Amendment Proposal, the Third Amendment Proposal, the Director Proposal and the Adjournment Proposal.

## Purpose of the Special Meeting

At the Special Meeting, you will be asked to consider and vote upon the following:

*The Merger Proposal* the proposed acquisition of all of the membership units of United Insurance Holdings, L.C., a limited liability company formed under the laws of the State of Florida, pursuant to the Merger Agreement, dated as of April 2, 2008, as amended and restated on August 15, 2008, by and among the Company, United and United Subsidiary and the transactions contemplated thereby ( Proposal 1 or the Merger Proposal );

*The First Amendment Proposal* the amendment to the Company's amended and restated certificate of incorporation (the First Amendment ), to remove certain provisions containing procedural and approval requirements applicable to the Company prior to the consummation of the business combination that will no longer be operative after the consummation of the Merger ( Proposal 2 or the First Amendment Proposal );

*The Second Amendment Proposal* the amendment to the Company's amended and restated certificate of incorporation (the Second Amendment), 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 );

*The Third Amendment Proposal* the amendment to the Company's amended and restated certificate of incorporation (the Third Certificate of Incorporation Amendment), to change the name of the Company to United Insurance Holdings Corp. ( Proposal 4 or the Third Amendment Proposal );

*The Director Proposal* to elect three (3) directors to the Company's Board of Directors to hold office until the next annual meeting of stockholders and until their successors are elected and qualified ( Proposal 5 or the Director Proposal );

*The Adjournment Proposal* to consider and vote upon a 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, the Company would not have been authorized to consummate the Merger we refer to this proposal as the adjournment proposal. ( Proposal 6 or the Adjournment Proposal ); and

such other business as may properly come before the meeting or any adjournment or postponement thereof.

The Company's Board of Directors:

has unanimously determined 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, the Company and its stockholders;

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has determined the consideration to be paid in connection with the Merger is fair to our current stockholders from a financial point of view and the fair market value of United is equal to or greater than 80% of the value of the net assets of the Company;

has unanimously approved and declared it advisable to approve the Merger Proposal, the First Amendment Proposal, the Second Amendment Proposal, the Third Amendment Proposal, the Director Proposal and the Adjournment Proposal; and

unanimously recommends the holders of the Company common stock 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.

## **Record Date; Who is Entitled to Vote**

The Record Date for the Special Meeting is , 2008. Record holders of the Company common stock at the close of business on the Record Date are entitled to vote or have their votes cast at the Special Meeting. On the Record Date, there were outstanding shares of the Company common stock.

Each share of the Company common stock is entitled to one vote at the Special Meeting.

Any shares of the Company common stock held by our officers and directors prior to the Company's IPO will be voted in accordance with the majority of the votes cast at the Special Meeting with respect to the Merger Proposal. Any shares of the Company common stock acquired by our officers and directors in the Company's IPO or afterwards will be voted in favor of the Merger. We have a total of 5,917,031 shares outstanding, of which 1,183,406 were issued prior to the IPO and are held by our officers, directors and special advisor.

The Company's issued and outstanding warrants do not have voting rights and record holders of the Company warrants will not be entitled to vote at the Special Meeting.



## Voting Your Shares

Each share of the Company common stock that you own in your name entitles you to one vote. Your proxy card shows the number of shares of the Company common stock that you own.

There are two ways to vote your shares of Company common stock:

You can vote by signing and returning the enclosed proxy card. If you vote by proxy card, your proxy, whose name is listed on the proxy card, will vote your shares as you instruct on the proxy card. If you sign and return the proxy card, but do not give instructions on how to vote your shares, your shares will be voted, as recommended by the Company Board, 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.

You can attend the Special Meeting and vote in person. The Company will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or another nominee, you must get a proxy from the broker, bank or other nominee. That is the only way the Company can be sure that the broker, bank or nominee has not already voted your shares.

### Who Can Answer Your Questions About Voting Your Shares

If you have any questions about how to vote or direct a vote in respect of your Company common stock, you may call our Secretary, Larry G. Swets, Jr. at (860) 677-2701.

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### No Additional Matters May Be Presented at the Special Meeting

The Special Meeting has been called only to consider the approval of the Merger Proposal, the First Amendment Proposal, the Second Amendment Proposal, the Third Amendment Proposal, the Director Proposal and the Adjournment Proposal. Under the Company's bylaws, other than procedural matters incident to the conduct of the meeting, no other matters may be considered at the Special Meeting if they are not included in the notice of the meeting.

### Revoking Your Proxy

If you give a proxy, you may revoke it at any time before it is exercised by doing any one of the following:

You may send another proxy card with a later date;

You may notify Corporate Secretary, addressed to the Company, in writing before the Special Meeting that you have revoked your proxy; and

You may attend the Special Meeting, revoke your proxy, and vote in person.

### Quorum; Vote Required

The approval and adoption of the Merger Agreement and the transactions contemplated thereby will require the affirmative vote of a majority of the shares of the Company's common stock issued in the Company's IPO cast at the Special Meeting. A total of 4,733,625 shares were issued in our IPO. In addition, notwithstanding the approval of a majority, if the holders of 1,419,615 or more shares of common stock issued in the Company's IPO vote against the

Merger and demand conversion of their shares into a pro rata portion of the trust account, then the Company will not be able to consummate the Merger. Each Company stockholder that holds shares of common stock issued in the Company's IPO or purchased following such offering in the open market has the right, assuming such stockholder votes against the Merger Proposal and, at the same time, demands the Company convert such stockholder's shares into cash equal to a pro rata portion of the trust account in which a substantial portion of the net proceeds of the Company's IPO is deposited. These shares will be converted into cash only if the Merger is consummated and the stockholder requesting conversion holds such shares until the date the Merger is consummated and tenders such shares to our stock transfer agent at or prior to the vote at the Special Meeting on the Merger Proposal.

For the purposes of Proposal 2, the affirmative vote of the majority of the Company's issued and outstanding common stock as of the Record Date is required to approve the First Amendment Proposal. For the purposes of Proposal 3, the affirmative vote of the majority of the Company's issued and outstanding common stock as of the Record Date is required to approve the Second Amendment Proposal. For the purposes of Proposal 4, the affirmative vote of the majority of the Company's issued and outstanding common stock as of the Record Date is required to approve the Third Amendment Proposal. For purposes of Proposal 5, the affirmative vote of the holders of a plurality of the shares of common stock cast in the election of directors is required. For purposes of Proposal 6 the affirmative vote of a majority of the shares of the Company's common stock that are present in person or by proxy and entitled to vote is required to approve the Adjournment Proposal.

It is important for you to note that in the event the Merger Proposal does not receive the necessary vote to approve such proposal, the Company will not consummate that Acquisition or any other proposal, unless the Adjournment Proposal is approved. None of United or its affiliates own any shares of Company common stock entitled to vote at the Special Meeting; however, they are not prohibited from making such purchases in the event they determine to do so.

## **Abstentions and Broker Non-Votes**

If your broker holds your shares in its name and you do not give the broker voting instructions, under the rules of FINRA, your broker may not vote your shares on the proposals to approve the Merger pursuant to the Merger Agreement. If you do not give your broker voting instructions and the broker does not vote your shares, this is referred to as a broker non-vote. Abstentions and broker non-votes are counted for purposes of determining the presence of a quorum.

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As long as a quorum is established at the Special Meeting, if you return your proxy card without an indication of how you desire to vote, it: (i) will have the same effect as a vote in favor of the Merger Proposal and will not have the effect of converting your shares into a pro rata portion of the trust account in which a substantial portion of the net proceeds of the Company's IPO are held, unless an affirmative vote against the Merger Proposal is made and an affirmative election to convert such shares of common stock is made on the proxy card; (ii) will have the same effect as a vote in favor of the First Amendment Proposal; (iii) will have the same effect as a vote in favor of the Second Amendment Proposal; (iv) will have the same effect as a vote in favor of the Third Amendment Proposal; (v) will have no effect on the Director Proposal; and (vi) will have the same effect as a vote in favor of the Adjournment Proposal.

Since the Merger Proposal requires only the affirmative vote of a majority of the Company shares issued in the IPO that cast a vote at the Special Meeting, abstentions or broker non-votes will not count towards such number. This has the effect of making it easier for the Company to obtain a vote in favor of the Merger Proposal as opposed to some of

the Company's other proposals or as opposed to the vote generally required under the Delaware General Corporation Law, namely a majority of the shares issued and outstanding. Furthermore, in connection with the vote required for the Merger Proposal, the founding stockholders of the Company have agreed to vote their shares of common stock owned or acquired by them at or prior to the IPO in accordance with the majority of the Company's shares issued in the IPO.

## Conversion Rights

Any stockholder of the Company holding shares of common stock issued in the Company's IPO who votes against the Merger Proposal may, at the same time, demand the Company convert his shares into a pro rata portion of the trust account. You must mark the appropriate box on the proxy card in order to demand the conversion of your shares. If so demanded, the Company will convert these shares into a pro rata portion of the net proceeds from the IPO that were deposited into the trust account, plus your pro rated interest earned thereon after such date (net of taxes and amounts disbursed for working capital purposes and excluding the amount held in the trust account representing a portion of the underwriters' discount), if the Merger is consummated. If the holders of 1,419,614 or more shares of common stock issued in the Company's IPO vote against the Merger Proposal and demand conversion of their shares into a pro rata portion of the trust account, the Company will not be able to consummate the Merger. Based on the amount of cash held in the trust account as of June 30, 2008, without taking into account any interest or income taxes accrued after such date, you will be entitled to convert each share of common stock that you hold into approximately \$7.91 per share (after a provision for payment of working capital costs and taxes). In addition, the Company will be liquidated if a business combination is not consummated by October 4, 2009. In any liquidation, the net proceeds of the Company's IPO held in the trust account, plus any interest earned thereon (net of taxes and amounts disbursed for working capital purposes and excluding the amount held in the trust account representing a portion of the underwriters' discount), will be distributed on a pro rata basis to the holders of the Company's common stock other than the officers, directors, special advisors and sponsor of FMG, none of whom will share in any such liquidation proceeds.

If you exercise your conversion rights, then you will be exchanging your shares of Company common stock for cash and will no longer own these shares. You will only be entitled to receive cash for these shares if you tender your stock certificate to the Company at or prior to the Special Meeting. The closing price of the Company's common stock on August 29, 2008, the most recent trading day practicable before the printing of this proxy statement/prospectus, was \$7.60. The amount of cash held in the trust account was approximately \$37.5 million as of June 30, 2008 (before taking into account disbursements for working capital and taxes). If a Company stockholder would have elected to exercise his conversion rights on such date, then he would have been entitled to receive \$7.91 per share, plus interest accrued thereon subsequent to such date (net of taxes and amounts disbursed for working capital purposes and excluding the amount held in the trust account representing a portion of the underwriters' discount). Prior to exercising conversion rights, the Company stockholders should verify the market price of the Company's common stock as they may receive higher proceeds from the sale of their common stock in the public market than from exercising their conversion rights.

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You will be required, whether you are a record holder or hold your shares in street name, either to tender your certificates to our transfer agent or to deliver your shares to the Company's transfer agent electronically using the Depository Trust Company's DWAC (Deposit/Withdrawal At Custodian) System, at your option, at any time at or prior to the vote at the Special Meeting on the Merger Proposal. There is typically a \$35 cost associated with this tendering process and the act of certificating the shares or delivering them through the DWAC system. The transfer agent will typically charge the tendering broker this \$35, and the broker may or may not pass this cost on to you.

You will have sufficient time from the time we send out this proxy statement/prospectus through the time of the vote on the Merger Proposal to deliver your shares if you wish to exercise your conversion rights. However, as the delivery process can be accomplished by you, whether or not you are a record holder or your shares are held in street name, within a business day, by simply contacting the transfer agent or your broker and requesting delivery of your shares through the DWAC System, we believe this time period is sufficient for an average investor.

Any request for conversion, once made, may be withdrawn at any time up to immediately prior to the vote on the Merger Proposal at the Special Meeting (or any adjournment or postponement thereof). Furthermore, if you delivered a certificate for conversion and subsequently decided prior to the meeting not to elect conversion, you may simply request that the transfer agent return the certificate (physically or electronically) to you. The transfer agent will typically charge an additional \$35 for the return of the shares through the DWAC System.

Please note, however, that once the vote on the Merger Proposal is held at the Special Meeting, you may not withdraw your request for conversion and request the return of your stock certificate (either physically or electronically). If the Merger is not completed, your stock certificate will be automatically returned to you.

Stockholders will not be entitled to exercise their conversion rights if such stockholders return proxy cards to the Company without an indication of how they desire to vote with respect to the Merger Proposal or, for stockholders holding their shares in street name, if such stockholders fail to provide voting instructions to their brokers. Proxies received by the Company without an indication of how the stockholders intend to vote on a proposal will be voted in favor of such proposal.

## **Appraisal or Dissenters Rights**

No appraisal rights are available under the Delaware General Corporation Law to the stockholders of the Company in connection with the Merger Proposal. The only rights for those stockholders voting against the Merger who wish to receive cash for their shares is to simultaneously demand payment for their shares from the trust account.

Under Florida Statute 608.4352 of the Florida Limited Liability Company Act (the FLLCA), the members of United will be entitled to dissent from the Merger and obtain cash payment for the fair value of their membership units instead of the consideration provided for in the Merger Proposal. For a more complete description of these rights, see United Member Approval.

## **Solicitation Costs**

The Company is soliciting proxies on behalf of the Company Board of Directors. This solicitation is being made by mail but also may be made by telephone or in person. The Company and its respective directors and officers may also solicit proxies in person, by telephone or by other electronic means, and in the event of such solicitations, the information provided will be consistent with this proxy statement and enclosed proxy card. These persons will not be paid for doing this. The Company will ask banks, brokers and other institutions, nominees and fiduciaries to forward its proxy statement materials to their principals and to obtain their authority to execute proxies and voting instructions. The Company will reimburse them for their reasonable expenses. Mackenzie Partners, Inc., a proxy solicitation firm we have engaged to assist us in soliciting proxies, will be paid its customary fee of approximately \$7,500 plus \$5.00 per solicited stockholder and out-of-pocket expenses, and we expect the total fees and expenses payable to Mackenzie Partners, Inc. will not exceed approximately \$20,000.

## Stock Ownership

Of the 5,917,031 outstanding shares of the Company's common stock, the Company's initial stockholders, including all of its officers, directors and its special advisor and their affiliates, who purchased shares of common stock prior to the Company's IPO and who own an aggregate of approximately 20% of the outstanding shares of the Company common stock (1,183,406 shares), have agreed to vote such shares acquired prior to the IPO in accordance with the vote of the majority in interest of all other stockholders on the Merger Proposal. Moreover, all of these persons have agreed to vote all of their shares which were acquired in or following the IPO, if any, in favor of the Merger Proposal. See Beneficial Ownership of Securities – Beneficial Ownership Following the Merger for information regarding the beneficial ownership of FMG common stock following the Merger.

The following table sets forth information regarding the beneficial ownership of our common stock as of August 29, 2008 by:

each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock;  
each of our officers and directors; and  
all our officers and directors as a group.

Unless otherwise indicated, we believe all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

Name and Address of Beneficial Owners <sup>(1)</sup>	Common Stock	
	Number of Shares <sup>(2)</sup>	Percentage of Common Stock
FMG Investors LLC <sup>(3)</sup>	1,099,266	18.57 %
Gordon G. Pratt, Chairman, Chief Executive Officer and President	1,099,266 <sup>(3)</sup>	18.57 %
Larry G. Swets, Jr., Chief Financial Officer, Secretary, Treasurer, Executive Vice President	1,099,266 <sup>(3)</sup>	18.57 %
Thomas D. Sargent, Director	21,035	0.36 %
David E. Sturgess, Director <sup>(4)</sup>	21,035	0.36 %
James R. Zuhlke, Director	21,035	0.36 %
HBK Investments L.P. <sup>(5)</sup>	547,250	9.2 %
Brian Taylor <sup>(6)</sup>	437,500	7.4 %
Bulldog Investors <sup>(7)</sup>	1,282,167	21.67 %
Millenco LLC <sup>(8)</sup>	189,375	3.2 %
D.B. Zwirn Special Opportunities Fund, L.P. <sup>(9)</sup>	178,500	3.02 %
D.B. Zwirn Special Opportunities Fund, Ltd. <sup>(9)</sup>	246,500	4.17 %
D.B. Zwirn & Co., L.P. <sup>(9)</sup>	425,000	7.18 %
DBZ GP, LLC <sup>(9)</sup>	425,000	7.18 %
Zwirn Holdings, LLC <sup>(9)</sup>	350,000	5.92 %
Daniel B. Zwirn <sup>(9)</sup>	350,000	5.92 %
Weiss Asset Management, LLC <sup>(10)</sup>	180,642	3.1 %
Weiss Capital, LLC <sup>(10)</sup>	90,395	1.5 %
Andrew M. Weiss, Ph.D. <sup>(10)</sup>	271,037	4.6 %
All Directors and Officers as a Group (5 persons)	1,162,371	19.64 %

<sup>(1)</sup> 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 Updike, Kelly & Spellacy, P.C., One State Street, Hartford, Connecticut 06103.

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- 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
- (5) 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.
- 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
- (6) dispositive power over such securities. The address of all such reporting parties is 800 Nicollet Mall, Suite 2850, Minneapolis, MN 55402.
- Based on information contained in a Statement on Schedule 13D filed by Bulldog Investors, Phillip Goldstein and
- (7) 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.
- Based on information contained in a Statement on Schedule 13G filed by Millenco LLC, Millenium Management
- (8) 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.
- 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
- (9) 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 July 18, 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.

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## PROPOSAL 1

### THE MERGER PROPOSAL

*The discussion in this proxy statement/prospectus of the Merger Proposal and the principal terms of the Merger Agreement, dated April 2, 2008, as amended and restated on August 15, 2008, by and among the Company, United and United Subsidiary Corp., and the associated agreements are subject to, and are qualified in their entirety by reference to, the Merger Agreement, which is attached as Annex A, to this proxy statement/prospectus and is incorporated in this proxy statement/prospectus by reference.*

### General Description of the Merger

On April 2, 2008, the Company entered into an Agreement and Plan of Merger (the Merger Agreement) pursuant to which United Subsidiary 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 (the Merger). The Merger Agreement was amended and restated on August 15, 2008. 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 units of United in a series of steps as outlined below.

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

FMG will create a transitory merger subsidiary, United Subsidiary Corp., and will merge such subsidiary with and into United, with United surviving; and

United will, as a result, become wholly-owned by FMG.

United's members will receive consideration from FMG for their membership units of up to \$104,316,270 consisting of:

\$25,000,000 in cash;

8,750,000 shares of FMG common stock, par value \$.0001 per share (assuming an \$8.00 per share value);  
up to \$5,000,000 of additional consideration which will be paid to the members of United in the event certain net income targets are met by United, as set forth more particularly herein;

1,093,750 newly issued common stock purchase warrants identical in all respects to the warrants issued in the Company's IPO;  
up to an additional 212,877 newly issued common stock purchase warrants identical in all respects to the warrants issued in the Company's IPO; and

up to an additional 212,877 shares of FMG common stock.

The aggregate consideration will be paid pursuant to the Merger Agreement for the purchase of the membership units of United. The Company's Board of Directors has determined United has a fair market value equal to at least 80% of the Company's net assets held in trust.

The Company, United and United Subsidiary Corp. plan to consummate the Merger as promptly as practicable after the Special Meeting, provided that:

the Company's stockholders have approved and adopted the Merger Proposal and the transactions contemplated thereby;  
holders of not more than 29.99% of the shares of the common stock issued in the Company's IPO vote against the Merger Proposal and demand conversion of their shares into cash;  
holders of not less than 66% of the membership units of United vote in favor of the Merger;  
the private placement, including the exchange offer, and the tender offer shall have taken place;  
the Securities and Exchange Commission has declared effective the registration statement and prospectus which form a part of this proxy statement/prospectus; and

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the other conditions specified in the Merger Agreement have been satisfied or waived.

The obligation of FMG to close on the Merger is contingent on satisfaction or waiver of the following conditions:

- (i) the accuracy in all material respects on the date of the Merger Agreement and the Closing Date of all of United's representations and warranties, when considered both collectively and individually;
- (ii) United's performance in all material respects of all covenants and obligations required to be performed by the Closing Date;
  - (iii) a majority of the Company's stockholders must vote in favor of approving the Merger;
- (iv) not more than 29.99% of the shares of the common stock issued in the Company's IPO vote against the Merger and demand conversion of their stock into cash;
  - (v) stockholder approval of the First and Second Amendment Proposals;
- (vi) the Securities and Exchange Commission has declared effective the registration statement and prospectus which form a part of this proxy statement;
- (vii) no governmental authority has enacted, issued, promulgated, enforced or entered any law or order that is in effect and has the effect of making the Merger illegal or otherwise preventing or prohibiting consummation of the Merger;
  - (viii) the private placement, including the exchange offer, and the tender offer shall have taken place;
- (ix) the officers are, and the Board of Directors of FMG following the Merger is constituted, as set forth as the Board of Directors recommends, as fully described herein; and
- (x) the consent of not less than 66% of the membership units of United to the Merger and no more than ten percent (10%) of the outstanding membership units of United shall constitute dissenting membership units under Florida law.

Conditions (i), (ii) and (ix), as well as the Third Amendment Proposal, are waivable by the Company.

United's obligation to close on the Merger is contingent upon:

(i)



- the accuracy in all material respects on the date of the Merger Agreement and the Closing Date of all of FMG's representations and warranties;
- (ii) FMG's performance in all material respects of all covenants and obligations required to be performed by the Closing Date;
    - (iii) a majority of the Company's stockholders must vote in favor of approving the Merger;
  - (iv) not more than 29.99% of the shares of the common stock issued in the Company's IPO vote against the Merger and demand conversion of their stock into cash;
    - (v) stockholder approval of the First, Second and Third Amendment Proposals;
  - (vi) the Securities and Exchange Commission has declared effective the registration statement and prospectus which form a part of this proxy statement;
    - (vii) the private placement, including the exchange offer, and the tender offer shall have taken place; no governmental authority has enacted, issued, promulgated, enforced or entered any law or order that is in effect
  - (viii) and has the effect of making the Merger illegal or otherwise preventing or prohibiting consummation of the Merger; and
  - (ix) the officers and the Board of Directors of FMG following the Merger is constituted as set forth as the Board of Directors recommends, as fully described herein.
    - Conditions (i), (ii) and (ix), as well as the Third Amendment Proposal, are waivable by United.

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See the description of the Merger Agreement in the section entitled "The Merger Agreement" beginning on page 71. The Merger Agreement is included as Exhibit 1.1 to this proxy statement/prospectus and the Merger Agreement is included as Exhibit 1.2. We encourage you to read the Merger Agreement in its entirety.

Under the terms of the Company's amended and restated certificate of incorporation, the Company may proceed with the Merger provided that not more than 29.99% of the Company's public stockholders electing to convert their shares of common stock to cash and not participate in the Merger.

## **Background of the Merger**

During the period immediately subsequent to our initial public offering on October 11, 2007 through March 2008, we were involved in identifying and evaluating prospective businesses regarding potential business combinations. On October 12, 2007, the day after the consummation of our initial public offering, management convened a discussion with our Board of Directors to institute centralized corporate governance procedures and to discuss and begin implementing our overall plan for identifying, evaluating and, where appropriate, pursuing a potential business combination. We discussed the most effective means for us to solicit and track opportunities, and we determined that we should plan regular telephonic conferences with our board to discuss our progress. Given our commitment to source, review and negotiate a transaction, we agreed immediately to identify and begin the process of making contact with: (i) private companies we know to be active in the insurance industry and (ii) various prospective sources of deal flow, including investment banks, actuaries, consultants, private equity firms and business acquaintances we have established over a professional lifetime within the insurance industry to encourage them to contact us with new and old ideas or specific business combination opportunities they might wish for us to consider and explore. Messrs. Pratt and Swets discussed with the board various areas within the insurance industry where they expected there to be a higher probability of identifying attractive companies for a business combination, with particular focus on specialty property-casualty insurance companies, wholesale insurance brokerages and program management businesses. Messrs. Pratt and Swets discussed with the board some of the opportunities and risks of a business combination with an insurance company when compared to an insurance wholesale broker or program, pointing out that each type of business holds attractive elements and other elements to consider.

We were able to source opportunities both by approaching private companies and by responding to inquiries or references from the various sources of deal flow noted above. We did not limit ourselves to any single transaction structure (i.e. cash vs. stock issued to potential seller, straight merger, corporate spin-out or management buy-out). Although the search stayed within the insurance industry, the definition of insurance remained broad. Active sourcing involved FMG management, among other things:

Initiating conversations, via phone, e-mail or other means (whether directly or via a private company's major stockholders, members, or directors as well as professionals and industry contacts we have known during our professional careers) with private companies which management believed could make attractive business combination partners;

    Contacting professional service providers (accountants, attorneys, actuaries and consultants);

        Using their network of business associates and friends for leads;

        Working with third-party intermediaries, including investment bankers; and

Inquiring directly of business owners, including private equity firms, of their interest in having one of their businesses enter into a business combination.

Management also fielded inquiries and responded to solicitations by: (i) companies looking for capital or investment alternatives and (ii) investment bankers or other similar professionals who represent companies engaged in a sale or fund-raising process. We considered numerous companies in various sectors of the insurance industry, including underwriting property-casualty insurance companies, retail insurance brokerage, wholesale insurance brokerage, insurance program management, United Kingdom-based employee benefits management, critical care insurance and management, wholesale life insurance brokerage and professional employer organization workers' compensation insurance. Several non-disclosure agreements were signed.

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In considering potential targets, the Company's management considered the following factors concerning potential business combination partner, as being material to their decision:

    Specialty focus, for example by line of business, geography, product, distribution or client base;

        Record of growth and profitability;

        Ability to operate in difficult, dislocated or fragmented markets;

        Business model and approach to building recurring revenue;

        Ability to achieve incremental revenue or decrease costs from current core business;

        Potential for greater economies of scale or higher profitability through consolidation;

        Opportunity to deploy capital at appropriate rates of return in the current business plan;

        Experience and skill of management and availability of additional personnel;

            Capital requirements;

            Competitive position;

            Financial condition;

            Barriers to entry;

        Stage of development of the products, processes or services;

            Breadth of services offered;

        Degree of current or potential market acceptance of the services;

            Regulatory environment of the industry;

        Costs associated with effecting the business combination; and

        Probability of successfully negotiating and consummating a business combination with the potential partner.

The evaluation relating to the merits of a particular business combination were based primarily, to the extent relevant, on the above factors. In evaluating a prospective business combination partner, we conducted such diligence as we deemed necessary to understand a particular potential business combination partner's business that included, among

other things, meetings with the potential business partner's management, where applicable, as well as review of financial and other information made available to us.

As a result of these efforts, the Company initiated contact, either directly or through a third party intermediary, with approximately twelve (12) potential business combination companies. In addition, we received business plans, reviewed financial summaries or received presentation books of at least ten (10) potential target business combination companies. We signed non-disclosure agreements relating to several potential business combination opportunities. We also had discussions with a number of potential business combination companies with whom a non-disclosure agreement was not signed. With respect to some of the opportunities, discussions among the Company's management and the potential business combination partners included financial disclosures, reviews of potential transaction structures, discussions of preliminary estimates of transaction values and discussions of management objectives, business plans, and projections. Discussions, including introductory meetings attended by some combination of Messrs. Pratt and Swets, occurred with potential business combination partners on a regular basis during the period from October 2007 through March 2008. Among the potential merger candidates FMG contacted were: five insurance companies in various segments of the property-casualty business with estimated merger values of \$100 million to \$700 million; four wholesale brokers/program managers of insurance businesses with estimated merger values of \$90 million to \$400 million; and three retail brokers/service companies of insurance businesses with estimated merger values of \$100 million to \$200 million. Our management evaluated these candidates in light of the factors described above and discussed their findings with our Board of Directors, also applying the following criteria: the state of the insurance markets within which the businesses operated; the potential merger value of each

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business; the probability of negotiating an acceptable business combination; and the timeframe for so doing. FMG's board agreed with management's assessment of United as the best merger candidate among those discussed. No firm offers were made to any other merger candidate.

On November 15, 2007, our Board of Directors met to discuss certain ongoing, routine corporate matters, including review and approval of our filings with the SEC, and to review our progress to date in identifying and discussing candidates for a potential business combination. Our management: (i) reported concerning its efforts since the last board meeting to reach out to potential business combination candidates and their owners and advisors and (ii) reviewed the results of these efforts, namely more than twelve (12) potential business combination companies. Among other matters, management reported that, based on its research and experience in evaluating insurance markets that offer specialized risk and reward prospects, the Florida homeowners insurance market held particular promise.

In the first half of 2006, prior to the formation of our company, James R. Zuhlke, one of our directors, and a private equity firm with whom he was working had discussions with representatives of United to consider a possible transaction with United. This firm ultimately did not make any proposal for a transaction with United. In the second half of 2006 and early 2007, Mr. Zuhlke and Gordon Pratt, the Managing Director of Fund Management Group, had discussions with representatives of United regarding a possible transaction with United. Fund Management Group specializes in managing investments in, and providing advice to, privately held insurance related businesses. In late 2006 and early 2007, Fund Management Group indicated to United's management an interest in acquiring United. In February 2007, United notified Fund Management Group only that United intended to remain independent and was not interested in pursuing a transaction. There was no further contact between Messrs. Pratt and Zuhlke and United regarding such a transaction after February 26, 2007.

Mr. Pratt reported he had attended a meeting at United's offices with Messrs. Cronin, Griffin, and Russell on November 14, 2007, and later that evening attended a dinner with several United directors and advisors, including Messrs. Branch, Whittemore, Savage, and DeLacey. This meeting was initiated when Gordon G. Pratt called Don

Cronin, the President and CEO of United, on October 19, 2007 to explore United's interest in a potential merger with FMG Acquisition Corp. and to arrange a meeting in person with United's senior staff. A mutually convenient date of November 14 was set. Attending the meeting were four persons: Gordon G. Pratt and three officers from United, Don Cronin (CEO), Nick Griffin (CFO) and Melvin Russell (Chief Underwriting Officer). The nature of the meeting was exploratory and informational. Mr. Pratt described FMG Acquisition Corp and how it functions as a special purpose acquisition company. Messrs. Cronin, Griffin and Russell described United's business strategy and results through October 2007. The parties agreed that it seemed worthwhile to continue discussing a possible merger.

At the November 15, 2007 Board meeting, Mr. Pratt reported that: (i) in addition to United, several other companies in the Florida homeowners market may be suitable candidates for a business combination and (ii) United may be receptive to a proposal for a business combination. Management also gave reports concerning other promising companies and markets the Company should consider. Based on this report, FMG's Board concluded that management should continue the process of meeting with and discussing a possible business combination with several candidates, including United.

On November 20, 2007, the Company and United signed mutual non-disclosure agreements in order to exchange information and continue discussions on a confidential basis. The Company began to receive confidential reports concerning United on November 25 and 26, 2007. United and the Company agreed to meet on December 6, 2007 in United's offices. There are no direct or indirect business relationships between any of the officers, directors, or principal stockholders of the Company and any of the officers, directors, or principal members of United.

On December 6, 2007, Messrs. Pratt and Swets met with Messrs. Cronin, Griffin, Russell and Hearn, all officers of United, in United's offices. Also in attendance was Mr. Brian Nestor of Raymond James & Associates in their capacity as financial advisor to United. During the meeting and throughout the day, the parties discussed United's book of business, underwriting, modeling, changes to the policies offered to its policyholders, rates, new business initiatives, claims operations and reinsurance. Messrs. Cronin, Griffin, Pratt, and Swets continued, over dinner, to discuss items including management of the combined companies should a business

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combination proceed. The participants concluded that discussions concerning a merger should continue. The following day, Mr. Patrick DeLacey of Raymond James & Associates (and also a director of United) spoke with Mr. Pratt concerning a potential business combination and informed the Company that any business combination: (i) must meet an appropriate value for United's members and (ii) must be negotiated in a timely manner, since United was considering a number of potential options, including a possible sale or merger to other parties or a decision to remain a private company held by the current members. Mr. DeLacey provided additional documents concerning United on December 13 and 14, 2007. Following analysis of the information from the December 6 meeting and of the reports provided on December 13 and 14, FMG's management concluded it was in FMG's best interest to express in writing FMG's possible interest in a business combination with United.

On December 16, 2007, after analysis of the information provided by United to date, the Company delivered a non-binding letter of interest ( Interest Letter ) to Messrs. Branch and DeLacey expressing interest in a business combination with United in the form of a merger with the Company, with the resulting merged company to be renamed United Insurance Holdings Corp. ( UIH ). A summary of the material terms of the Interest Letter appears below:

Consideration:

\$25,000,000 in cash consideration at the closing;

8,125,000 shares of the Company;

\$5,000,000 in cash as additional consideration;

625,000 shares of the Company as additional consideration;

The additional consideration would be based on UIH's performance in the first full four quarters post-merger.

Additional consideration begins accruing when GAAP net income for UIH exceeds \$25 million and is fully earned if GAAP net income reaches or exceeds \$29 million;

The UIH board would include Mr. Branch and other current United directors while FMG would name an equal number of directors to the UIH board;

The parties would mutually discuss an appropriate capital and business plan for UIH.

The Interest Letter requested that the parties enter into more detailed discussions concerning negotiation of a non-binding letter of intent ( LOI ) and the diligence, timetable and documentation requirements for a merger.

On December 21, 2007, the Company's Board convened a discussion by teleconference. During the discussion, Messrs. Pratt and Swets described meetings held with United and meetings and discussions with several other candidates concerning a potential business combination. With respect to United, management discussed (i) preliminary information concerning United's business and operations gathered from the December 6 meeting and subsequent information provided by United on December 13 and 14 and (ii) the Interest Letter management sent to United concerning which we were awaiting a response. FMG's board asked questions concerning United's business, underwriting approach, use of models, ability to generate new business, claims handling philosophy and use of reinsurance. Based on the discussion, FMG's board concluded (i) management had made good progress concerning the potential business combination with United; (ii) prior to issuing an LOI for United or for any other candidate for a business combination, FMG's board would meet to consider more detailed information concerning the candidate, review the proposed LOI, and hold a discussion on these matters; (iii) whether or not to issue an LOI would be subject to the Board's discussion and to its affirmative vote; and (iv) discussions should continue with those potential candidates for a business combination whom FMG's board and management agreed potentially fit the Company's criteria.

Later that day, Messrs. Pratt and DeLacey spoke concerning a proposed merger. Mr. DeLacey reported that United's board had met on December 18, 2007 to consider the Interest Letter and concluded that United wished to continue discussions through Mr. Branch and Mr. DeLacey. Key points of the discussion focused on issues concerning proposed management of UIH and the constitution of UIH's board of directors, the amount

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of consideration at the closing of a merger, and the amount, timing, and form of payment for additional consideration. On December 24, 2007, Messrs. Pratt and DeLacey discussed these issues again and agreed to speak early in January.

From January 4, 2008 through January 9, 2008, Messrs. Pratt and DeLacey held a series of discussions focused on resolving outstanding issues and discussed additional issues concerning the appropriate representations, warranties, and indemnification between the parties, the registration rights United's members would have concerning Company stock received by United's members as merger consideration, lock-ups or other restrictions on such stock, the conditions to a closing, confidentiality and exclusivity, the conduct of each party in the period prior to any closing, and a waiver by United concerning the Company's trust fund. From these discussions, the parties concluded that each issue had a range of possible answers. The parties agreed that Mr. DeLacey should send a summary of the discussions for Messrs. Pratt and Branch to use for further negotiation. On January 10, 2008, Messrs. Pratt and Branch continued their discussions and came to agreement on the issues. Mr. Pratt agreed to document the parties' agreement in the form of a draft LOI for consideration by United and its advisors. Mr. Pratt provided a draft LOI to United and to the Company's Board on January 14, 2008. The LOI contemplates a merger of United with FMG (or a wholly-owned subsidiary) with FMG to be renamed UIH. A summary of the material terms of the non-binding LOI appears below:

\$25,000,000 in cash consideration at the closing;

8,750,000 registered shares of FMG;

\$5,000,000 in cash as possible additional consideration;

The additional consideration would be based on UIH's performance in the twelve month period covering either (i) July 1, 2008 to June 30, 2009 or (ii) calendar 2009. Additional consideration begins accruing when GAAP net income for UIH exceeds \$25 million and is fully earned if GAAP net income reaches or exceeds \$27.5 million;

The UIH management will include Mr. Cronin (President and Chief Executive Officer) and Mr. Griffin (Chief Financial Officer). Mr. Russell will be Chief Underwriting Officer of United;

The UIH board would be set initially at six members with each of the Company and United naming three (3) members. Mr. Branch will serve as Chairman and Mr. Pratt as Vice Chairman of UIH;

As soon as is practical following the execution of the definitive merger agreement, FMG will file with the SEC a Form S-4 registration statement concerning the shares of the Company United's owners will receive in the merger;

Our officers and directors will continue to be bound by existing share escrow arrangements, and certain parties related to United will execute lock-up agreements;

Customary closing conditions will apply, including the negotiation of a definitive merger agreement with mutually acceptable representations, warranties, and indemnification; also, conditions to close will include regulatory approvals (such as that of the Florida Office of Insurance Regulation ("OIR"));

An exclusivity period of thirty (30) days during which we could conduct diligence concerning United and prepare appropriate documentation;

Provisions concerning: (i) United's waiver of a claim on our trust account and (ii) mutual promises of confidentiality.

On January 15, 2008, our Board of Directors met to discuss a possible merger with United and the draft LOI.

Management presented a summary of information learned to date concerning United, and a discussion ensued concerning: (i) United's management and its experience; (ii) the proposed valuation of United in a merger and its relative attractiveness from the point of view of the Company's stockholders; (iii) United's capital structure and ownership; (iv) United's market share in Florida and that of the Florida state-owned insurance company, Citizens Property Insurance Company (Citizens); and (v) the opportunities and risks in a

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merger with United. The Board also discussed the draft LOI and the remaining issues under discussion with United.

Due to time constraints, the Board decided to recess the meeting and reconvene on January 17, 2008.

On January 17, 2008, the Board continued its discussion concerning United's valuation in the proposed merger, and the Board's determination of United's valuation was based, in large part, on (i) details concerning fundamental financial results of United and comparisons to publicly-traded insurance companies; (ii) United's expected balance sheet at the time of the proposed merger; (iii) the expected returns and risks in United's business, including giving proper account to its exposure to catastrophe risk; and (iv) the opportunities and risks in expanding United's business to other states.

The board also considered several direct and indirect comparable companies, many of which overlapped with companies used by Piper Jaffray in making its comparisons. The companies evaluated by both FMG's board and Piper Jaffray included 21<sup>st</sup> Century Holding Company, IPC Holdings, Ltd., Universal Insurance Holdings, Inc., ACE, Ltd., XL Capital Ltd., Axis Capital Holdings Ltd., Allied World Assurance Company Holdings Ltd., Aspen Insurance Holdings Ltd., Allstate Corp., The Travelers Companies, Inc. and Hartford Financial Services Group, Inc. However, each of FMG's board and Piper Jaffray did their investigation and analysis independent of one another without discussion of which companies to use as the basis for comparable comparisons.

The Board concluded that (a) United's management, its experience in Florida, and its expected returns (after giving effect to its use of reinsurance and exposure to catastrophe risk) were positives for the transaction; (b) the opportunities for United were attractive, having given proper account to the risks associated with United's market share size and the existence of the large competitors, including the state-owned insurance company Citizens; and (c) United's

valuation in the merger, its financial results to date, and its expected balance sheet at the time of the merger justified continuing the process of discussing a merger. Mr. Pratt also gave his opinion as to how the final issues in the LOI would be resolved in final negotiation and that such resolution of the issues would not differ materially from the draft LOI summarized above and presented to the Board. Following this discussion, the Board unanimously approved a resolution authorizing management, on behalf of the Company, to enter into an LOI with United on substantially the same terms as were presented in the draft LOI (and as negotiated to final resolution by management). The Board also instructed management that discussions should continue with those potential candidates for a business combination whom the Board and management agreed potentially fit the Company's criteria.

On January 20, 2008, we sent to United a final LOI (comporting with the summary above in every material way) that United executed on the following day.

FMG and United arrived at the Merger consideration through mutual negotiation and discussion. The parties agreed the transaction should contain the following elements: cash at the time of the Merger; no need for any additional financing to complete the Merger; the issuance of FMG common stock as the majority of the Merger consideration; and an amount of additional cash consideration depending upon United's post-Merger performance.

On January 24, 2008, at the Raymond James headquarters in St. Petersburg, Florida, Messrs. Pratt and Swets met with Messrs. Cronin, Griffin, Russell and Michael Farrell, United's senior financial analyst and Keith Irvine (Raymond James), all representing United, in order to discuss the process for diligence and documentation.

Beginning with the January 24, 2008 meeting and continuing through the signing of the Agreement and Plan of Merger, we conducted diligence concerning United's business, operations and financial results. Messrs. Pratt and Swets actively participated in numerous telephone conversations and email communications with officers and other representatives of United. We retained outside advisors and consultants who supplemented our work with reports concerning the following areas or functions: accounting, investments, policy administration, claims, reinsurance, actuarial computations (including computations of premiums, reserves for losses, reserves for lost adjustment expenses, unearned premiums and reinsurance recoverables) corporate structure, ownership and any material restrictions contained in United's contracts and governing documents.

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On February 22, 2008, the Company's Board convened a discussion by teleconference. Our management described:

The scope of the diligence being conducted by us, including portions performed directly by Messrs. Pratt and Swets; The personnel, backgrounds and references for the firms retained to perform diligence for us, which including an accounting firm, a law firm, an operations and internal audit consultant, a reinsurance broker and consultant and an actuarial consultant; and

Our findings to date from both management and from our outside retained firms and consultants.

The directors discussed the diligence findings and encouraged management to continue discussions with United, including preparation of a draft definitive merger agreement (which was delivered to United on March 7, 2008). The directors also encouraged management to continue discussions with other candidates concerning a potential business combination.

On March 14, 2008 the Company's Board convened a discussion by teleconference. Management described its continuing analysis of United, its management, our diligence and the state of discussions concerning a definitive merger agreement. In particular, our management described:

A valuation and investment thesis for the merger with United;

Management's assessment of United and its management, particularly with respect to United's underwriting focus and risk management;

An assessment of United's profit opportunities and risk to those profits under various scenarios; and  
An analysis of the potential combined profits and earnings per share after a merger, both in absolute terms and relative to certain publicly-traded insurance companies.

The directors discussed these matters and encouraged management to continue discussions with United. We scheduled a meeting on March 20, 2008 to review (i) all of the steps taken by us in our discussions with United, (ii) diligence memoranda concerning United prepared by management and by our counsel (which were provided to the directors prior to the March 20 meeting) (iii) a draft definitive merger agreement in a form substantially similar to its final form (which was provided to directors prior to the March 20 meeting); (iv) a fairness opinion (prepared by Piper Jaffray) and (v) information concerning the status of discussions with other candidates concerning a potential business combination.

On March 20, 2008, FMG's Board of Directors met to evaluate the materials set forth above in order to consider approval of a merger with United. Management presented the diligence findings and a summary of the status of discussions with other candidates concerning a potential business combination. Representatives of Piper Jaffray joined the meeting to discuss their opinion concerning the transaction.

During the meeting our directors considered many aspects of a merger with United, including, but not limited to:

The overall state of the Florida homeowners insurance business and the relative attractiveness of this market;  
United's historical record of success in the Florida market;

The expected return on equity for United's business in comparison to others operating in the Florida market;  
The expected profitability of United's business after giving proper account to United's exposure to, and management of, catastrophe risk;

Diligence reports concerning United's balance sheet, including a review of its investment assets, loss reserves, unearned premium reserves and reinsurance arrangements;

Confirmations of United's loss reserve estimates and claims practices by an independent actuary and an independent accounting firm retained by the Company;

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United's reinsurance program, underlying contract arrangements, and quality of reinsurance providers, including review of the findings of an independent reinsurance consultant retained by the Company;

The status of discussions with other candidates concerning a potential business combination, including management's assessment of those candidates' potential value, the probability of negotiating an acceptable business combination and the timeframe for so doing; and

The amount and form of the consideration to be paid by FMG to effect the merger, including the Piper Jaffray opinion that the transaction is fair, from a financial point of view, to the Company's stockholders. From this, and their own assessment of the transaction, the directors concluded that United's value also exceeds \$30,176,383, or 80% of the Company's assets held in its trust account.

FMG's board discussed the opportunity and the potential adverse effects of a merger with United at its board meetings on January 15 and 17, on its conference call discussions on February 22 and March 14, and again at its meeting on March 20. Those discussions focused on the value and potential of a merger with United for our stockholders and an assessment of the risks and potential adverse effects of the merger. As a consequence, our board made a careful review of two primary areas that could cause adverse effects: (i) the risks of poor performance in United's business and financial results, leading to an adverse effect on our stockholders; and (ii) failure to pursue a better merger candidate (if one could be identified), leading to an adverse effect on our stockholders. After due consideration, we determined to proceed with the merger proposal with United.



Our outside counsel, which was hired to assist with our initial public offering and has remained our outside counsel through the date hereof, attended all official meetings of our board of directors as well as board discussions held by conference call. We initiated contact with Piper Jaffray on approximately February 15 and officially engaged them on March 4. Piper Jaffray attended no meetings between FMG and United. The only meeting of FMG's board of directors which Piper Jaffray attended was the March 20 meeting, as described above. Pali Capital, Inc., which served as the representative of the underwriters in our IPO, was retained on February 26, 2008 to render financial advisory and investment banking services to FMG in connection with the Merger. Pali Capital attended no meetings between FMG and United, nor did Pali attend any meetings of FMG's board of directors. FMG also retained Actuarial Consultant in late January, 2008 and were present on some due diligence phone calls between FMG and United, but attended no other meetings between the companies or any meetings of FMG's board of directors. FMG retained Blackman Kallick to assist with accounting due diligence. Blackman Kallick attended due diligence meetings between FMG and United on February 4 and February 5, but attended no other meetings. No other consultants have been retained. During the March 20 board meeting, FMG's Board concluded that a merger with United on the terms described was in the best interests of our stockholders. FMG's Board unanimously approved a resolution in favor of the merger with United and a resolution authorizing Messrs. Pratt and Swets to take all actions they deem necessary to finalize the Merger Agreement. The Merger Agreement was finalized and signed on April 2, 2008 and announced to the public on April 3, 2008.

During June 2008, we learned from our investment bankers and certain institutional investors who were participating in other special purpose acquisition companies that a tender offer may be a worthwhile initiative for us to consider. After consulting Pali, our investment bankers, our management believed, based on their market intelligence, that: (i) certain institutional investors might be interested in making an investment in FMG to fund a tender offer and (ii) our stockholders would benefit from having the option to tender their shares in a tender offer, subject to our obtaining the necessary financing for such a tender offer and our further obtaining approval of the proposed business combination. After reviewing these options, our management discussed these proposals with Mr. DeLacey at Raymond James & Associates, United's investment banker, and discussed the viability of securing the institutional financing for FMG to provide the means for a tender offer, recognizing that such tender offer would close simultaneously with, and be conditioned upon, the Merger. While our management had not concluded that stockholder approval could not be obtained absent additional financing and the tender offer, management believed our stockholders would benefit from having an option to tender their shares (in addition to their existing right of conversion). During discussions with Mr. DeLacey, we learned that, subject to the form, terms and conditions, and effect on the Merger Agreement

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of such financing, United would consider a financing proposal from FMG management and an associated proposal to authorize a tender offer for FMG shares.

On July 10, 2008, our Board held a call to discuss: (i) institutional investors that may have an interest in providing financing to FMG; (ii) the implications of different amounts and forms of financing; (iii) a proposed tender offer for FMG common stock; (iv) the effect on the Merger Agreement of such financing and tender offer; and (iv) the likelihood of securing financing during the time frame set forth in the Merger Agreement. The Board reached the conclusion that management should pursue discussions with institutional investors.

Also on July 10, Messrs. Pratt and DeLacey discussed the financing, the tender offer, and the implications for the Merger Agreement. Mr. DeLacey reviewed the following issues with Mr. Pratt: (i) United's performance through the first half of 2008; (ii) the Merger Agreement had been negotiated by United with the expectation of a closing on or about June 30; (iii) a more probable closing date now would be very late in the third quarter, during which time United's net earnings would be retained at United; and (iv) the tender offer would be available to FMG stockholders but not to United's owners receiving FMG stock. Mr. Pratt authorized Pali to make a proposal, subject to FMG board

approval, to increase the net economic consideration to United's owners as compensation for the later expected closing date and the effects of the financing and the tender offer.

From July 10 through July 31, 2008, management held confidential discussions with a limited number of FMG stockholders and six institutional investors about a debt financing. Our Board held conference call discussions on July 21 and July 29, during which management and the Board discussed several forms of financing, the relative merits and issues of each, and the probability that one or more FMG stockholders or institutional investors would make an investment in FMG. At the close of each call, the Board concluded that pursuing the financing was in FMG stockholders' best interest and instructed management to continue discussions with potential investors.

At the end of July and in early August, management presented non-binding terms for a debt financing (subject to approval of the business combination) to a limited number of potential institutional investors, a summary of which appears below:

\$18,279,570 face amounts of 11% notes;  
Purchase price of 93% of face value, or \$17,000,000;  
Interest paid semi-annually;  
Maturity three years from date of issue;

Callable, at 105% of face value, for a one-month period after the first or second anniversary from date of issue. During July through early August, management and Pali continued negotiations with Raymond James concerning the financing and an amendment to the Merger Agreement.

On August 1, 2008, Pali (on behalf of FMG) made a proposal to Raymond James, a summary of which appears below:

FMG to commence a tender offer of up to \$33,732,134 of FMG common stock at a per-share price to be determined. The size of the tender will be reduced by the amount of (i) FMG shares exercising the right of conversion and (ii) FMG shares exchanged by institutional investors into notes (see next point below);

FMG to issue notes, using the \$17,000,000 proceeds as partial funding for the tender offer;

Upon the closing of the merger, FMG would use available cash from the trust to fund the remaining requirements of the tender offer;

Sponsor to transfer to United's owners up to 212,877 shares of common stock as additional consideration for the merger;

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FMG to repurchase 100,000 units of the underwriter's purchase option for \$100 and to amend the underwriters purchase option, changing its expiration date to October 4, 2010.

From August 1 through August 10, management and Mr. DeLacey continued negotiations.

On August 8, 2008, our Board held a conference call. Messrs. Pratt and Swets reported progress in negotiations with:

(i) Mr. DeLacey concerning the Merger Agreement and (ii) potential investors in the notes. After a discussion, the Board concluded that pursuing the financing and negotiating terms for an amended Merger Agreement continued to be in FMG stockholders' best interest and instructed management to continue the discussions.

On August 11, 2008, Messrs. Swets and DeLacey concluded their negotiations with the following terms (in addition to those set forth above):

FMG to issue 1 new warrant for each 8 shares of FMG stock paid to United as merger consideration (a total of 1,093,750 warrants) with terms identical to those warrants held by FMG's public stockholders; and;

The Sponsor to transfer to United's owners one Sponsor warrant for each share of Sponsor common stock transferred as additional consideration for the merger.

Management believed the combination of issuing new warrants to United's owners as additional merger consideration and transferring FMG common stock and warrants from the Sponsor to United's owners as additional merger consideration increase the likelihood of a vote in favor of a merger by United's owners. We and our underwriters agreed to repurchase a portion of the underwriter's purchase option because (i) such repurchase reduces the dilution our stockholders would otherwise experience as a result of the exercise of this portion and (ii) such repurchase increases the attractiveness of the merger for both United's owners and FMG stockholders, thereby increasing the likelihood of (a) stockholder approval of the Merger and (b) our underwriters receiving their deferred underwriting discount upon the closing of the merger.

Also on August 11, our counsel sent to United's counsel a draft amended and restated Merger Agreement, incorporating the terms proposed in Pali's August 1 letter and the terms agreed to on August 11 by Messrs. Swets and DeLacey.

On August 15, 2008, five investors, including two current FMG stockholders, and an entity which Gordon Pratt and Larry Swets are the managing members, signed a note purchase agreement on terms described herein, including, among other things, a requirement FMG Investors LLC, our sponsor, be obligated, under certain circumstances, to pay to certain note holders additional yield in an amount up to 5% of the purchase price for the notes. The two current stockholders have the option (which they are expected to exercise) to purchase notes by means of exchanging an aggregate of 869,565 shares of FMG common stock (equal to 18.4% of FMG's common stock issued in the IPO) at a value of \$8.05 per share, the anticipated price at which FMG would conduct the tender offer, for an aggregate purchase price of \$7,000,000, subject to our obtaining approval of the proposed business combination.

On August 13, 2008, we distributed to our Board materials that included, among other things, a description of the proposed note financing, the proposed tender offer, and the changes to the Merger Agreement, along with drafts of the transaction documents related to these matters.

On August 14, 2008, our Board of Directors met to discuss the financing, the tender offer, the Merger, and matters relating to those transactions. During the meeting our directors considered many aspects of these transactions, including, but not limited to:

The cost, terms, and conditions of the notes;

The number of shares to include in the tender offer, conditions to the tender, and the price per share to be paid in the tender;

Changes to the Merger Agreement, including the additional consideration to be paid by our Company and by our Sponsor;

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A review of the facts and conclusions the Board reached at its March 20, 2008 meeting as described on page 56; United's performance to date; and

The effect of the notes, the tender offer, and the amended Merger Agreement on our stockholders.

After discussion and due consideration, the Board concluded that the economic effect of the net additional merger consideration paid by our Company, namely the 1,093,750 additional warrants, is appropriate primarily as a result of: (i) United's financial performance through June 30, 2008; (ii) additional value expected from United's earnings in the third quarter 2008 that will be retained in United; and (iii) the benefit of reduced potential dilution for our stockholders due to our repurchase of 100,000 units of the underwriter's purchase option. Our Board considered seeking a new fairness opinion from Piper Jaffray concerning the transaction but ultimately declined to do so for the reasons cited in (i) through (iii) above and because there have been no material changes in United's performance or in

the projections or assumptions on which Piper Jaffray based its opinion.

The Board also discussed (i) authorizing the Company to make a tender offer for up to 3,320,762 shares (reduced by the number of shares held by stockholders voting against the business combination and exercising their right of conversion) at a price of up to \$8.05 per share to close simultaneously with, and conditioned upon, the Merger and (ii) the terms of the notes to be issued as partial funding for the tender offer. After discussion and due consideration, the Board concluded that the tender offer and the associated placement of the notes provide an important additional liquidity option for our stockholders.

During the August 14 Board meeting, the FMG Board of Directors concluded that a merger with United under the terms of the amended and restated Merger Agreement, and the proposed tender offer and associated note financing, are all in the best interest of our stockholders. FMG's Board unanimously approved a resolution in favor of the merger, the tender offer, and the offering of the notes and approved a resolution authorizing Messrs. Pratt and Swets to take all actions they deem necessary to carry out these transactions. On August 15, 2008, management agreed with United to issue up to 212,877 shares of common stock, and an equal number of warrants, as contingent compensation to United's members, as described more fully herein. Management determined such compensation has no net effect on the Company as FMG Investors LLC, our sponsor, agreed to return to the Company for cancellation an equal number of common shares and warrants.

On August 15, 2008, Management agreed with United to issue up to 212,877 shares of common stock, and an equal number of warrants, as contingent compensation to United's members, as described more fully herein. Management determined such compensation has no net effect on the Company as FMG Investors LLC, our sponsor, agreed to return to the Company for cancellation an equal number of common shares and warrants.

The Merger Agreement was finalized and signed on August 15, 2008 and an announcement of the revised merger terms, the note offering, and the tender offer was made to the public on August 15, 2008.

## **Interests of United Directors and Officers in the Merger**

Gregory C. Branch, Alec C. Poitevint, and Kent G. Whittemore, directors of United, will be directors of the combined company following the Merger.

## **Interests of FMG Directors and Officers in the Merger**

In considering the recommendation of the Board of Directors of the Company to vote for the proposals to approve and adopt the Merger Agreement and the Merger, you should be aware that certain members of the Company's Board have agreements or arrangements that provide them with interests in the Merger that differ from, or are in addition to, those of the Company stockholders generally. In particular:

If the Merger is not approved, the Company may be required to liquidate, and the shares of common stock and warrants held by the Company's executive officers and directors will be worthless because the Company's executive officers and directors are not entitled to receive any of the net proceeds of the Company's IPO that may be distributed upon liquidation of the Company. The Company's executive officers, directors and special advisor own a total 1,183,406 shares of the Company's

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common stock that have a market value of approximately \$8,993,886 based on the Company's share price of \$7.60 as

of August 29, 2008. The Company's executive officers and directors also own 1,300,000 and 1,250,000 warrants, respectively, to purchase shares of the Company's common stock that have a market value of \$767,000 and \$737,500, respectively based on the Company's warrant price of \$0.59 as of August 29, 2008. Other than with respect to the shares and warrants owned by our sponsor which are subject to forfeiture as described herein, the Company's executive officers, directors and special advisors are contractually prohibited from selling their shares of common stock prior to one year after the consummation of a business combination, during which time the value of the shares may increase or decrease.

Our sponsor, FMG Investors LLC, an entity owned by each of Gordon G. Pratt, our President, Chairman and CEO, and Larry Swets, Jr., our Chief Financial Officer and Secretary, has agreed to forfeit up to 212,877 shares of common stock and an equal number of warrants, as set forth more particularly herein, in connection with the Merger.

In connection with the private placement, United Noteholders LLC will purchase Notes with a face value of \$537,634 for a purchase price of \$500,000. United Noteholders LLC was formed for the sole purpose of purchasing these Notes and its members include certain officers and directors of FMG as well as certain employees of Pali Capital, Inc. See

The Merger Proposal Interests of FMG Directors and Officers and Officers and Summary Interests of Pali Capital in the Merger; Fees for additional information regarding the interests of these parties.

It is currently anticipated that Messrs. Gordon G. Pratt, Larry G. Swets, Jr. and James R. Zuhlke, all of whom are current directors of the Company, will continue as directors of the Company after the Merger.

## **The Company's Reasons for the Merger and Recommendation of the Company's Board**

In the prospectus relating to our IPO, we stated our intention to focus our pursuit of a business combination on merger partners in the insurance industry. On page 56 of this proxy statement/prospectus, we enumerate all the material factors considered in pursuing this particular transaction. Other factors used in making a determination whether to proceed with the Merger, none of which were deemed factors weighing against pursuing the Merger and none of which were material in any event, were results of background checks done on United's management, the ability of FMG's current management team to work with United following the Merger and the results of the various due diligence investigations undertaken on United.

We believe the Merger meets our original investment objectives. In light of the complexity of those factors, our Board of Directors, as a whole, did not consider it practicable to, nor did it attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its decision. Individual members of our Board of Directors may have given different weight to different factors.

Based upon our evaluation as set forth above, our Board of Directors has unanimously approved the Merger and determined it is in the best interests of the Company and our stockholders.

## **Terms of the Merger Agreement**

The terms of the Merger Agreement, including the closing conditions, are customary and reasonable. It was important to the Company's Board of Directors that the Merger Agreement include customary terms and conditions as it believed such terms and conditions would allow for a more efficient closing process and lower transaction expenses.

The Company's Board of Directors believes the above factors strongly supported its determination and recommendation to approve the Merger. The Company's Board of Directors did, however, consider the following potentially negative factors, among others, including the Risk Factors, in its deliberations concerning the Merger:

## **The Risk Its Public Stockholders Would Vote Against the Merger and Exercise Their Conversion Rights**

The Company's Board of Directors considered the risk the current public stockholders of the Company would vote against the Merger and demand to convert their shares for cash upon consummation of the Merger, thereby depleting the amount of cash available to the combined company following the Merger. For reasons stated above, the Company's Board of Directors deemed this risk to be less with regard to United than it would be for other merger partners and believes the Company will still be able to implement its business plan, even if the maximum number of public stockholders exercised their conversion rights.

## **Certain Officers and Directors of the Company May Have Different Interests in the Merger Than the Company Stockholders**

The Company's Board of Directors considered the fact certain officers and directors of the Company may have interests in the Merger different from, or in addition to, the interests of the Company stockholders generally, including the matters described under "Interests of FMG and Officers in the Merger" above.

## **Limitations on Indemnification Set Forth in the Merger Agreement**

The Company's Board of Directors considered the limitations on indemnification set forth in the Merger Agreement. See "The Merger Agreement." The Board of Directors of the Company determined that such limitations are consistent with what could be expected.

## **The Risk United and Its Affiliates Would Control a Significant Percentage of Our Issued Shares Stock After the Transaction.**

Upon the consummation of the Merger, the members of United will beneficially own approximately 60% of the common stock of FMG, assuming no conversion of stock by public stockholders, and approximately 68% if the maximum number of shares is converted. Therefore, the members of United will be able to exercise significant control over the operations of FMG and may vote its common stock in ways that are adverse or otherwise not in the best interest of our stockholders as a group.

## **The Risk the Company's Current Stockholders Will Experience Substantial Dilution Upon Consummation of the Merger.**

If we consummate the Merger, we will issue, in the aggregate, 8,750,000 shares of our common stock and 1,093,750 warrants. Our IPO stockholders currently own approximately 80% of the Company's outstanding capital stock.

Following the Merger, all current FMG stockholders will own approximately 34% of our common stock (after considering the exchange but before tender offer). We believe, despite the dilution in ownership our IPO stockholders will experience as a result of the Merger, this transaction is still beneficial for them.

## **The Lack of Approval of the Merger from United's Members Prior to the Execution of the Merger Agreement.**

While it would have been preferable to have the required approval of the members of United upon the execution of the Merger Agreement, such approval is, necessarily, a closing condition. We expect the vote to be taken by United's members following the effectiveness of this proxy but prior to the date of the Special Meeting. Additionally, in the event the members of United do not approve the Merger, we are entitled to terminate the Merger Agreement and

receive reimbursement from United for all costs, expenses and fees incurred in connection with the transactions contemplated hereby, up to a maximum of \$500,000, within three (3) business days of the date of written notice of termination of the Merger Agreement. Despite the lack of approval of United's members prior to the date hereof, we believe the Merger is beneficial to our stockholders.

## United's Reasons for the Merger with the Company

United's board of managers believes the proposed merger between the Company and United is in the best interests of United and its members based on the following:

The Merger would allow United to more easily access capital through public markets in order to increase the statutory capital and surplus of its insurance company subsidiaries providing it the ability to expand the number of property and casualty insurance policies that it writes in the State of Florida.

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The abilities and experience of the directors of the Company who are expected to remain as directors of the Company after the Merger will be highly valuable in executing its business strategy. See *Directors and Management of the Company Following the Merger*.

The Company common stock issued in the Merger will be publicly traded, which could provide liquidity to United's members and provide the business with access to the public capital markets, the ability to attract, retain and incentivize highly qualified employees with grants of options for, or other equity awards in the form of, publicly traded stock.

The resulting publicly traded stock will present United with greater ability to use stock as acquisition or partnership currency.

In addition to the primary reasons set forth above, United's board also considered certain potentially negative factors in its deliberations, including the risk that the Merger may not be completed, risks associated with a potentially illiquid trading market for the Company common stock and costs associated with being a public company, among others.

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## FAIRNESS OPINION OF PIPER JAFFRAY

The Company retained Piper Jaffray to provide a Fairness Opinion to the Company's Board of Directors in connection with the Merger.

On March 20, 2008, our Board of Directors held a meeting to evaluate the proposed Merger with United. At this meeting, Piper Jaffray reviewed the financial aspects of the proposed Merger and rendered an oral opinion to our Board of Directors, which was subsequently confirmed by delivery of a written opinion, dated March 20, 2008, that as of the date of the opinion, and subject to the factors and assumptions set forth in the written opinion, the consideration to be paid pursuant to the Merger Agreement was fair, from a financial point of view, to the holders of our common stock. The opinion was rendered solely in connection with the original merger agreement dated April 2, 2008. After discussion and due consideration, the Board concluded that the net economic effect of the additional merger consideration paid by the Company, namely the 1,093,750 additional warrants, is appropriate primarily as a result of: (i) United's financial performance through June 30, 2008; (ii) additional value expected from United's earnings in the third quarter 2008 that will be retained in United; and (iii) the benefit of reduced potential dilution for our

stockholders due to our repurchase of 100,000 units of the underwriter's purchase option. Our Board considered seeking a new fairness opinion from Piper Jaffray concerning the transaction but ultimately declined to do so for the reasons cited in (i) through (iii) above and because there have been no material changes in United's performance or in the projections or assumptions on which Piper Jaffray based its opinion.

**The full text of the written opinion by Piper Jaffray is attached as Annex C to this proxy statement. Stockholders are urged to read the opinion carefully and in its entirety for a description of the assumptions made, matters considered, procedures followed and limitations on the review undertaken by Piper Jaffray in rendering its opinion. The summary of the Piper Jaffray opinion set forth in this proxy statement is qualified in its entirety by reference to the full text of the opinion. The Piper Jaffray opinion is addressed to the Company's Board of Directors, by its terms, may not be relied on by FMG's stockholders and addresses only the fairness to the Company, from a financial point of view, of the consideration to be paid by FMG in the Merger. The Piper Jaffray opinion does not constitute a recommendation to any Company stockholder as to how that stockholder should vote or act on any matter relating to the Merger (including, without limitation, with respect to the exercise of rights to convert Company shares into cash). Further, the Piper Jaffray opinion does not in any manner address the underlying business decision of the Company to engage in the Merger or the relative merits of the Merger as compared to any alternative business decision or strategy (including, without limitation, a liquidation of the Company after not completing a business combination transaction within the allotted time). The decision as to whether to approve the Merger or any related transaction may depend on an assessment of factors unrelated to the financial analysis on which the Piper Jaffray opinion is based.**

Piper Jaffray's opinion was intended solely for the use and benefit of our Board of Directors in connection with its consideration of the Merger, does not address the merits of the underlying decision by us to enter into the Merger Agreement or any of the transactions contemplated thereby, including the Merger, and does not constitute a recommendation to any of our stockholders as to how that stockholder should vote on, or take any action with respect to, the Merger or any related matter. Piper Jaffray was not asked to address nor does its opinion address, the fairness to, or any other consideration of, the holders of any other class of securities, creditors or other constituencies of FMG. Any defense of the Fairness Opinion against claims brought by Company stockholders based on the fact such opinion is intended solely for the use and benefit of the Company's board of directors is expected to be resolved by a court of competent jurisdiction. Any such defense will have no effect on the rights and responsibilities of FMG's board of directors under applicable state law nor any effect on the rights and responsibilities of Piper Jaffray or FMG's board of directors under federal securities laws.

In connection with its opinion, Piper Jaffray reviewed and analyzed the Merger and the financial and operating condition of United and us, including, among other things, the following:

a draft of the Merger Agreement, dated March 20, 2008;  
other relevant draft documents related to the Merger;

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United's annual reports for the fiscal years ended December 31, 2004 through December 31, 2007; forecasts and projections prepared by United's management with respect to United for the fiscal years ended December 31, 2008 through December 31, 2012, which such projections may be deemed to differ materially from publicly available information on United and which such information included (a) limited forecast information relating to United's business, having been advised that more detailed financial forecasts for the business were not available and (b) certain adjustments to United's historical financial statements that were prepared by the management of United and also agreed to by the Company's management;



certain financial data of United and compared it to publicly available financial data for certain other companies that Piper Jaffray deemed comparable to United, and publicly available prices in other business combinations that Piper Jaffray considered relevant in its analysis;

publicly available financial information concerning the Company that Piper Jaffray believed to be relevant to its analysis, including the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and the Registration Statement on Form S-1 filed with the SEC on October 4, 2007;

certain other communications from the Company to its stockholders;

certain internal financial analyses and forecasts for the Company and United prepared by Company management; unit, common stock and warrant reported price and trading activity for the Company; and conducted such other studies, analyses and inquiries as it deemed appropriate.

Piper Jaffray also:

held several discussions with certain members of United's senior management to discuss operations, financial condition, future prospects and projected operations and performance of United; and

met with certain members of the Company's senior management to discuss the existing operations and financial condition of the Company, as well as operations, financial condition and business strategy post-Merger.

Piper Jaffray also took into account its assessment of general economic, market and financial conditions and its experience in other transactions, as well as its experience in securities valuation and knowledge of the insurance industry generally. Piper Jaffray's opinion is necessarily based upon conditions as they existed and could be evaluated on the date of its opinion and the information made available to it through the date thereof. In conducting its review and arriving at its opinion, Piper Jaffray, with our consent, assumed and relied upon, without independent verification, the accuracy and completeness of all of the financial and other information provided to it or publicly available and did not assume any responsibility for independently verifying the accuracy or completeness of any such information.

Piper Jaffray, with our consent, relied upon United's management as to the reasonableness and achievability of the financial and operating forecasts and projections (and the related assumptions and bases) provided to it, and assumed that such forecasts and projections were reasonably prepared by United's management on bases reflecting the best currently available estimates and judgments of United's management and that such forecasts and projections would be realized in the amounts and in the time periods currently estimated by United's management. Piper Jaffray expresses no view as to such forecasts or projections or the assumptions upon which they were based. Piper Jaffrey is not an expert in the independent verification of the adequacy of reserves for loss and loss adjustment expenses and assumed, with our consent, that United's aggregate reserves for loss and loss adjustment expenses are adequate to cover such losses. In that regard, Piper Jaffray made no analysis of, and expressed no opinion as to, the adequacy of reserves for loss and loss adjustment expenses. In rendering its opinion, Piper Jaffray did not make or obtain any evaluations or appraisals of the property of United or us, nor did it examine any of United's individual underwriting files. In addition, Piper Jaffray has not assumed any obligation to conduct any physical inspection of United's properties or facilities.

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Piper Jaffray assumed, with our consent, that the Merger would be consummated in accordance with the terms of the Merger Agreement, without waiver, modification or amendment of any material term, condition or agreement, and 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 a material adverse effect on United or us. Piper Jaffray further assumed that the final terms of the Merger Agreement would not vary materially from those set forth in the draft reviewed by Piper Jaffray.

The following is a summary of the material analyses presented by Piper Jaffray to our Board of Directors on March 20, 2008 in connection with its review of the financial considerations of the Merger. The summary is not a complete description of the analyses underlying the Piper Jaffray opinion or the presentation made by Piper Jaffray to our Board of Directors, but summarizes the analyses performed and presented in connection with such opinion. The preparation

of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Piper Jaffray did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Piper Jaffray did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinion; rather, Piper Jaffray made its determination that the Merger consideration to be received by holders of United membership units was fair, from a financial point of view, to the holders of our common stock on the basis of its experience and professional judgment, after considering the results of all of its analyses taken as a whole. The financial analyses summarized below include information presented in tabular format, which do not constitute a complete description of Piper Jaffray's financial analyses and must be read in conjunction with the accompanying text. Accordingly, Piper Jaffray believes its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying Piper Jaffray's analyses and opinion. Piper Jaffray informed the Company there were no specific factors that did not support the fairness opinion provided by Piper Jaffray.

*Summary of Proposal.* Piper Jaffray reviewed the financial terms of the proposed transaction. Pursuant to the Merger Agreement, United will receive Twenty Five Million Dollars (\$25,000,000) in cash; plus, Eight Million Seven Hundred Fifty Thousand (8,750,000) shares of FMG common stock; plus up to Five Million Dollars (\$5,000,000) in cash, based on certain operating performance targets. Assuming that certain performance targets are achieved post-Merger, aggregate transaction value to the holders of United membership units could equal as much as \$100 million based on the number of shares and options outstanding on March 20, 2008.

*Comparable Companies Analysis.* Using publicly available information, Piper Jaffray compared United's financial performance and financial condition to those of a group of selected publicly-traded personal lines property-casualty insurance companies and offshore reinsurance companies. These companies: (i) are all publicly traded in the U.S., (ii) focus on personal lines property insurance and/or property reinsurance, (iii) have significant exposure to property catastrophe risk in the State of Florida, (iv) have a market capitalization of less than \$2 billion and (v) are reasonably comparable to United in terms of overall financial and operating metrics. These companies were selected based on Piper Jaffray's professional judgment considering characteristics such as the type of insurance written and market capitalization. No companies that met this selection criteria were excluded from our analysis. None of the selected companies are directly comparable to United and, therefore, the results of the selected companies analysis are primarily financial calculations rather than detailed analyses of the differences in operating characteristics and business mixes of the various companies. Appropriate use of the data includes qualitative judgments concerning, among other things, differences among the companies. United and comparable company results were adjusted to omit the tax-affected value of any take-out bonuses earned.

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Selected personal lines property-casualty insurance companies included:

Infinity Property & Casualty (IPCC);  
Hilltop Holdings (HTH);  
Safety Insurance Group (SAFT);  
Donegal Group (DGICA);  
First Acceptance (FAC);  
Universal Insurance Holdings (UVE);

GAINSCO (GAN);  
 21<sup>st</sup> Century Holding Company (TCHC).  
 Selected offshore reinsurance companies included:

Validus Holdings, Ltd. (VR);  
 IPC Holdings, Ltd. (IPCR);  
 Montpelier Re Holdings, Ltd. (MRH);  
 Flagstone Reinsurance Holdings, Ltd. (FSR).

The following is a summary of Piper Jaffray's analysis of certain key performance metrics and ratios:

2007 GAAP Statistic	United <sup>(1)</sup>	U.S. Personal Lines Median	Bermuda Reinsurer Median
Loss & LAE Ratio	30.1 %	63.2 %	24.3 %
Expense Ratio	54.5	29.2	30.7
Combined Ratio	84.6	93.6	63.1
ROAE	64.9	11.4	19.4
Net Income Margin	26.6	12.1	42.4

(1) Assuming a 37.6% corporate tax rate

For each selected company, Piper Jaffray calculated the ratio of its earnings per share for 2007 and estimated earnings per share for 2008, based on Reuters consensus estimates, to its stock price as of March 19, 2008. For 2007, and excluding first and fourth quartile multiples, Piper Jaffray calculated earnings multiples of the selected companies as ranging from a low of 2.6x to a high of 5.9x. For 2008, using the same methodology, Piper Jaffray calculated earnings multiples of the selected companies as ranging from a low of 5.9x to a high of 7.2x. By applying the derived range of multiples for 2007 of 2.6x to 5.9x to United's net income of \$21.5 million, Piper Jaffray derived a range of implied equity values for United of between approximately \$55.3 million and \$126.6 million. By applying the derived range of multiples for 2008 of 5.9x to 7.2x to United's 2008 estimated net income of \$19.3 million, based on United management's estimates, Piper Jaffray derived a range of implied equity values for United of between approximately \$114.1 million and \$139.5 million.

Piper Jaffray also calculated the ratio of closing stock price as of March 19, 2008 to reported GAAP book value per share at December 31, 2007 of the selected companies. Piper Jaffray calculated price to book value multiples ranging from a low of 0.9x to a high of 1.1x, excluding first and fourth quartile multiples. By applying the derived range of multiples to United's reported December 31, 2007 book value of \$46.1 million, Piper Jaffray derived a range of implied equity values for United of between \$40.4 million and \$51.7 million.

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Calculations in this analysis do not include a change of control premium despite the fact that one is customarily paid in the event of a merger or acquisition. Based on the analyses described above, Piper Jaffray calculated the following implied ranges of approximate trading values for United:

Implied Trading Values Based on Management Estimates	
2007 Net Income	\$ 55.3    \$126.6
2008E Net Income	114.1    139.5

## Comparable Transactions Analysis

Using publicly available information, Piper Jaffray reviewed the range of implied multiples paid or payable in selected change of control transactions announced since January 1, 2000 with announced deal values greater than \$15 million involving certain target companies participating in the United States personal lines segment of the property-casualty insurance market. An analysis of the resulting multiples of the selected precedent transactions necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that may have affected the selected transactions and/or the Merger. Accordingly, while Piper Jaffray assessed selected precedent transactions in the personal lines sector of the property-casualty insurance marketplace, it determined that many of such transactions offered limited comparability to the Merger due to, among other things, the limited information publicly available for many of the precedent transactions, potential differences in operating characteristics and performance of the target companies in the precedent transactions and changes in the insurance industry market conditions since some of the precedent transactions were announced. No selected comparable company or transaction was identical to United or the Merger.

### Selected transactions included:

Announcement Date	Target	Acquirer
March 1, 2007	Bristol West Holdings Inc.	Zurich Financial Services AG
December 4, 2006	Direct General Corp.	Elara Holdings Inc.
June 14, 2005	Affirmative Insurance Holdings	New Affirmative LLC
December 15, 2003	USAuto Holdings Inc.	Libert é Investors
April 18, 2001	FL Select Ins Holdings Inc.	Vesta Insurance Group Inc.
October 31, 2000	Farm Family Holdings Inc.	American National Insurance

For each precedent transaction, Piper Jaffray derived and compared, among other things, the implied equity value paid for the acquired company to the (a) GAAP net income of the acquired company for the latest twelve months, or LTM, of results prior to the time the transaction was announced and (b) reported GAAP book value of the acquired company at the most recent quarter ended prior to announcement.

Based on the analyses described above, Piper Jaffray calculated the (a) multiples of transaction equity value to the LTM GAAP net income for the target companies, excluding first and fourth quartile multiples, as ranging from a low of 8.3x to a high of 15.2x and (b) multiples of transaction equity value to GAAP book value for the target companies prior to announcement as ranging from a low of 0.9x to a high of 2.0x. Based upon the minimum and maximum transaction equity values to LTM GAAP net income multiples derived from this analysis, Piper Jaffray calculated a range of implied equity values for United of between \$178.5 million and \$326.4 million based on United's LTM GAAP net income of \$21.5 million for the period ending December 31, 2007. Based upon the minimum and maximum transaction equity values to GAAP book value multiples derived from this analysis, Piper Jaffray calculated a range of implied equity values for United of between \$42.5 million and \$94.3 million based on United's reported December 31, 2007 GAAP book value of \$46.1 million.

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Based on the analyses described above, Piper Jaffray calculated the following implied ranges of trading values for United:

Comparable Transaction Analysis

2007 Net Income	\$ 178.5	\$326.4
2007 Book Value, as of December 31, 2007	42.5	94.3

## Discounted Cash Flow Analysis

Piper Jaffray performed a discounted cash flow analysis to generate a range for the implied present value of United assuming it continued to operate as a stand-alone company.

This range was determined by adding the (a) present value of United's estimated future free cash flows for the years 2008 through 2012 and (b) present value of the terminal value of United. Terminal values for United were calculated based on a range of terminal multiples applied to the 2012 book value.

In connection with this analysis, Piper Jaffray utilized, with our consent, the five-year projections provided by United's management reflecting United's best currently available estimates and judgments of the future financial performance of United. As part of its analysis and with our consent, Piper Jaffray assumed, among other things, that (a) all operating cash flow would be retained to support the growth of the business and maintain financial strength ratings at the insurance company level and (b) United would be sold at December 31, 2012, based on a trailing multiple with the proceeds being discounted back to present value.

Piper Jaffray estimated the range for the implied present value of United by varying the following assumptions:

a terminal multiple applied to year 2012 estimated GAAP book value of 1.0x; and;  
discount rates representing a weighted average cost of capital ranging from 20% to 30%, which range Piper Jaffray, in its professional judgment, deemed reasonable for a small market capitalization company with the risk characteristics of United's insurance operations.

Piper Jaffray has informed us they selected a terminal book value multiple based on the book value transaction multiples used in the comparable transactions analysis. Notwithstanding the fact that United would implicitly be a larger and more diversified company at the end of the projection period, Piper Jaffray selected the low end of the book value change of control multiple range to be conservative. This analysis resulted in a range for the implied present value of United of \$124.6 million to \$173.0 million.

Piper Jaffray stated that, while discounted cash flow analysis is a widely accepted and practiced valuation methodology, it is highly sensitive to the assumptions for projected growth in net income and shareholders' equity, terminal exit multiples and discount rates. The valuation derived from the discounted cash flow analysis is not necessarily indicative of United's actual or expected future value or results.

*Miscellaneous.* Our Board of Directors retained Piper Jaffray as an independent contractor to render an opinion to us regarding the Merger. The Company paid Piper Jaffray a fee of \$50,000, plus reimbursement of its actual out-of-pocket expenses. As part of its investment banking business, Piper Jaffray is continually engaged in the valuation of insurance company and insurance holding company securities in connection with acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for various other purposes. As specialists in the securities of financial institutions, including insurance companies, Piper Jaffray has experience in, and knowledge of, the valuation of insurance enterprises. In the ordinary course of its business as a broker-dealer, Piper Jaffray may from time to time purchase securities from, and sell securities to, us, and as a market maker in securities, Piper Jaffray may from time to time have a long or short position in, and buy or sell, our debt or equity securities for its own account and for the accounts of its customers.

Piper Jaffray made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of the analyses. Piper Jaffray reviewed the foregoing analyses for purposes of providing its opinion to our Board of Directors as to the fairness from a financial point of view,

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of the Merger consideration to be provided by holders of our common stock. Piper Jaffray did not, recommend any specific consideration amount to us or to our Board of Directors. Piper Jaffray informed the Company there were no specific factors that did not support the fairness opinion provided by Piper Jaffray.

As described above, Piper Jaffray's opinion to the Board of Directors was one of many factors taken into consideration by our Board of Directors in making its determination to approve the Manager Agreement. The foregoing summary does not purport to be a complete description of the analyses performed and reviewed by Piper Jaffray.

In selecting the financial advisory firm to provide an opinion concerning the Merger, FMG considered several firms known to its management and considered many factors, including (i) the firm's familiarity with analyzing the insurance industry and with insurance company values; (ii) the knowledge and skill of the personnel performing the analysis to provide the basis for the opinion; and (iii) the overall reputation of the financial advisory firm. After discussing the assignment with Piper Jaffray, we entered into a negotiation to determine the fee for this assignment and, after a discussion among our management, retained Piper Jaffray to render the fairness opinion. Other than the preparation of the Fairness Opinion, during the two years preceding the date of the Fairness Opinion, Piper Jaffray has not had a material relationship with any party to the Merger for which compensation has been received or is intended to be received.

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## THE MERGER AGREEMENT

*The following summary of the material provisions of the Merger Agreement is qualified by reference to the complete text of the Merger Agreement, a copy of which is attached as Annex A to this proxy statement/prospectus and is incorporated herein by reference. All stockholders are encouraged to read the Merger Agreement in its entirety for a more complete description of the terms and conditions of the Merger.*

### Overview of the Merger

On April 2, 2008, the Company entered into an Agreement and Plan of Merger, which was amended and restated in its entirety on August 15, 2008 (the Merger Agreement) pursuant to which United Subsidiary agreed to merge with and into United, and United agreed, subject to receipt of the merger consideration from FMG, to become a wholly-owned subsidiary of FMG (the Merger). Under the terms of the Merger Agreement, the Company will acquire all of the issued membership units of United, a Florida limited liability company, through a reverse merger acquisition involving United and United Subsidiary Corp.

The Merger is structured such that United will become a wholly-owned subsidiary of the Company. If the stockholders of the Company approve the transaction contemplated by the Merger Agreement, FMG and United will merge pursuant to a merger transaction summarized as follows:

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

## Merger Consideration

United's members will receive consideration from FMG for their membership units of up to \$104,316,270 consisting of:

- (i) \$25,000,000 in cash;
- (ii) 8,750,000 shares of FMG common stock, par value \$.0001 per share (assuming an \$8.00 per share value);
- (iii) up to \$5,000,000 of additional consideration which will be paid to the members of United in the event certain net income targets are met by United, as set forth more particularly herein;
- (iv) 1,093,750 newly issued common stock purchase warrants identical in all respects to the warrants issued in the Company's IPO;
- (v) up to an additional 212,877 newly issued common stock purchase warrants identical in all respects to the warrants issued in the Company's IPO; and
- (vi) up to an additional 212,877 shares of FMG common stock.

The number of warrants that United's members will receive pursuant to clause (vi) will be equal to the number of shares of FMG common stock received pursuant to clause (v).

The number of shares of FMG common stock that United's members will receive pursuant to clause (v) will be equal to the sum of the following amounts:

(A) the product obtained by multiplying (1) the percentage of FMG common stock which will be owned by United's members in the aggregate immediately following the closing of the Merger, after giving effect to the tender offer and the exchange offer and (2) the amount of the original issue discount of the Notes, divided by (B) \$8.00;

(A) the product obtained by multiplying (1) the percentage of FMG common stock which will be owned by United's members in the aggregate immediately following the closing of the Merger, after giving effect to the tender offer and the exchange offer and (2) ten percent of the amount of cash required for the tender offer above the sum of \$11,232,884 and the cash proceeds received from the sale of the Notes, divided by (B) \$8.00; and

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(A) The percentage of FMG common stock which will be owned by United's members in the aggregate immediately following the closing of the Merger, on a fully diluted basis, after giving effect to the tender offer and the exchange offer multiplied by (B) the product obtained by multiplying \$0.05 and the sum of (1) the number of shares of FMG common stock received by the Company in the exchange offer and (2) the number of shares of FMG common stock purchased in the tender offer; divided by (C) \$8.00.

## Closing of Merger Agreement

Subject to the provisions of the Merger Agreement, the closing of the Merger will take place no later than the date that is the earlier of (A) six months from filing of this registration statement or (B) November 2, 2008, after all of the conditions described in the section below entitled "Conditions to Closing the Merger" have been satisfied, unless the Company and United agree to another time. In the event the Merger Agreement is not consummated for any reason, we have no obligation to pay any termination fees to United.

As stated in our final prospectus for our IPO as filed with the SEC on October 4, 2007, we will liquidate promptly after cessation of our corporate existence on October 4, 2009 if we have not consummated an acquisition or other business combination by such date. Pursuant to the terms of the Merger Agreement, we will have sufficient time to close on the Merger.

## Conditions to Closing the Merger

The obligation of FMG to close on the Merger is contingent upon:

- (i) the accuracy in all material respects on the date of the Merger Agreement and the Closing Date of all of United's representations and warranties, when considered both collectively and individually;
- (ii) United's performance in all material respects of all covenants and obligations required to be performed by the Closing Date (as more fully described below in Covenants of the Parties);
- (iii) a majority of the Company's stockholders must vote in favor of approving the Merger;
- (iv) not more than 29.99% of the shares of the common stock issued in the Company's IPO vote against the Merger and demand conversion of their stock into cash;
- (v) stockholder approval of the First and Second Amendment Proposals;
- (vi) the Securities and Exchange Commission has declared effective the registration statement and prospectus which form a part of this proxy statement;
- (vii) no governmental authority has enacted, issued, promulgated, enforced or entered any law or order that is in effect and has the effect of making the Merger illegal or otherwise preventing or prohibiting consummation of the Merger;
- (viii) the private placement, including the exchange offer, and the tender offer shall have taken place;
- (ix) the officers are, and the Board of Directors of FMG following the Merger is constituted as set forth as the Board of Directors recommends, as fully described herein; and
- (x) the consent of not less than 66% of the membership units of United to the Merger and no more than ten percent (10%) of the outstanding membership units of United shall constitute dissenting membership units under Florida law.

Conditions (i), (ii) and (ix), as well as the Third Amendment Proposal, are waivable by the Company.

United's obligation to close on the Merger is contingent upon:

- (i) the accuracy in all material respects on the date of the Merger Agreement and the Closing Date of all of FMG's representations and warranties;
- (ii) FMG's performance in all material respects of all covenants and obligations required to be performed by the Closing Date (as more fully described below in Covenants of the Parties);
- (iii) a majority of the Company's stockholders must vote in favor of approving the Merger;

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- (iv) not more than 29.99% of the shares of the common stock issued in the Company's IPO vote against the Merger and demand conversion of their stock into cash;
- (v) stockholder approval of the First and Second Amendment Proposals;
- (vi) the Securities and Exchange Commission has declared effective the registration statement and prospectus which form a part of this proxy statement;
- (vii) the private placement, including the exchange offer, and the tender offer shall have taken place;
- (viii) no governmental authority has enacted, issued, promulgated, enforced or entered any law or order that is in effect and has the effect of making the Merger illegal or otherwise preventing or prohibiting consummation of the Merger; and
- (ix) the officers and the Board of Directors of FMG following the Merger is constituted as set forth as the Board of Directors recommends, as fully described herein.

Conditions (i), (ii) and (ix), as well as the Third Amendment Proposal, are waivable by United.



## Representations and Warranties

The Merger Agreement contains a number of representations that each of the Company, United Subsidiary and United have made to each other. These representations and warranties include but are not limited to the following: (i) Due organization and proper qualification; (ii) Clear title to the Membership units of United; (iii) No ownership of stock in other entities; (iv) The due and valid authorization, execution, delivery and enforceability of the Merger Agreement and other instruments contemplated thereby against all parties; (v) The absence of conflicts or violations by any party under their respective organizational documents, applicable laws and certain agreements; (vi) The valid receipt of all consents and approvals; (vii) Capitalization is as has been previously disclosed; (viii) The books and records previously provided are materially complete and accurate; (ix) Valid title to properties and the lack of encumbrances on properties or assets; (x) Enumeration of liabilities and guarantees; (xi) Existence of any regulatory matters; (xii) Absence of certain changes or events; (xiii) The status of current legal proceedings, if any; (xiv) A complete list of material contracts; (xv) Confirmation of its employees and a statement that its labor relations are strong; (xvi) Valid ownership or license of intellectual property; and (xvii) Absence of liability for brokerage, finders fees or agents commission as a result of the Merger Agreement.

## Materiality and Material Adverse Effect

Certain of the representations and warranties are qualified by materiality or Material Adverse Effect. For the purposes of the Merger Agreement, Material Adverse Effect means 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 or United, 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 or United and its future operating prospects, (ii) any change affecting the United States economy generally or the economy of any region in which the Company or United 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 or United 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.

## Covenants of the Parties

Each of the Company, United Subsidiary and United have agreed to use their commercially reasonable best efforts to promptly take all necessary actions to effect the Merger. United has agreed to afford the Company full and free access to United's books, records and contracts.

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United and the Company also covenanted to consult with one another on any material operational matter relating to either entity's, and to consult with and obtain the permission of the other party before causing United or the Company to assume any additional obligations or liabilities outside the normal course of its business.

In the event United enters into any reinsurance agreement or a new lease for its office space, FMG may object to the terms in any of such agreements and if, after negotiations by the parties, they are unable to resolve FMG's objections,

FMG may terminate the Merger Agreement.

United acknowledged and agreed it will not have at any time prior to the closing of the Merger Agreement any claim against the funds held in the Company's trust account and has waived any claims United may have against the trust account at any time prior to the closing.

## Director Nominees

Under the Merger Agreement, United has the right to nominate, and the Company has agreed to cause the appointment and election of, three members of the Board of Directors of FMG. In addition, two of our current board members will resign.

## Indemnification Provisions

From the date of the Merger Agreement through the date of consummation of the Merger, each of FMG and United agree to indemnify and hold harmless the other (including subsidiaries, affiliates, successors, assigns, and their respective officers, directors, employees and agents) 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) that the indemnified party may sustain, suffer or incur and that result from, arise out of or relate to (i) any breach by the other of any of its representations, warranties, covenants or agreements contained in the Merger Agreement, and/or (ii) any fraud committed by or the willful breach of the Merger Agreement by the other party.

The parties' rights to indemnification are subject to the following limitations:

- (i) The maximum aggregate amount of damages that may be recovered 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 date of consummation of the Merger;  
United and its members may only seek indemnification against FMG and FMG and United Subsidiary may only seek indemnification against United. The parties irrevocably waive in perpetuity any and all claims for
- (iii) indemnification against the officers, directors and affiliated entities of the other party, as well as any and all claims for indemnification against the trust fund and all other entities controlled by FMG or its officers and directors, on the one hand, or by United or its officers and directors, on the other hand.

## Structure and Effective Time of Merger

As part of the Merger, and pursuant to the Merger Agreement, FMG and United will engage in a series of procedural steps as outlined below pursuant to which United will become a wholly-owned subsidiary of FMG and the current members of United will become stockholders of FMG. Although the following steps are explained in sequence, they are anticipated to be accomplished prior to or concurrently with the consummation of the Merger.

FMG will form a transitory merger company that will be incorporated in the United States as a domestic corporation; United, United Subsidiary and the Company will enter into a merger agreement whereby United Subsidiary will merge with and into United, with United being the surviving entity;

As part of the Merger consideration to be paid pursuant to the Merger Agreement, FMG will issue 8,750,000 shares of common stock, \$25,000,000 in cash, up to an additional \$5,000,000 in cash,

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1,093,750 common stock purchase warrants identical to the warrants issued in the Company's IPO, up to an additional 212,877 newly issued common stock purchase warrants identical in all respects to the warrants issued in the Company's IPO; and up to an additional 212,877 shares of FMG common stock in exchange for United's outstanding membership units, which are held by the United members;

Upon the consummation of the Merger, the former members of United will exchange their securities of United for securities of FMG and FMG will receive the membership units of United so exchanged, thereby making United a wholly-owned subsidiary of FMG and making the former members of United stockholders of FMG; and

The effective time of the Merger will occur concurrently with the consummation of the Merger by filing a certificate of merger or similar document with the Secretary of State of the State of Florida.

## Merger Consideration

Pursuant to the Merger Agreement, the outstanding membership units of United will be exchanged for the right to receive cash and shares of common stock of FMG.

## Certificate of Incorporation; By-Laws

The Certificate of Incorporation and By-laws of the Company in effect immediately prior to the Merger will be the Certificate of Incorporation and By-laws of the Company after the Merger after giving effect to the First, Second and Third Amendment Proposals. The Articles of Organization of United prior to the Merger will be the Articles of Organization of United after the Merger, although certain provisions contained therein may be amended to account for United's new status as a wholly-owned subsidiary of United Insurance Holdings Corp. The operating agreement of United following the Merger is attached as an exhibit to the Merger Agreement.

## Procedure for Receiving Merger Consideration

*Exchange Agent.* As of the effective time of the Merger, FMG will deposit with Continental Stock Transfer & Trust Company, or the Exchange Agent, for the benefit of the United members, their respective shares of common stock and warrants issuable in exchange for United's membership units.

*Exchange Procedures.* Upon surrender of United's membership units for exchange to the Exchange Agent, together with such letter of transmittal, duly completed and validly executed, and such other documents as may reasonably be required by the Exchange Agent, such member will be entitled to receive in exchange therefor his, her or its pro rata portion of Company common stock together with his, her or its pro rata portion of the \$25,000,000 cash portion of the consideration payable to United's members.

*Distributions With Respect to Unexchanged Membership Units.* No dividends or other distributions declared or made with respect to shares of FMG common stock with a record date after the effective time of the Merger will be paid to the holder of any non surrendered membership units, if any. Subject to the effect of applicable escheat or similar laws, following surrender of any membership units there will be paid to the holder of United membership units, shares of FMG common stock issued in exchange therefor, without interest, (i) at the time of such surrender, the amount of dividends or other distributions with a record date after the effective time of the Merger theretofore paid with respect to such whole shares of FMG common stock or warrants and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the effective time of the Merger.

*Fractional Shares.* No fractional shares of FMG common stock will be issued in the Merger. Each Member who exchanges membership units pursuant to the Merger who would otherwise have been entitled to receive a fraction of a share of FMG 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 FMG common stock multiplied by (ii) the closing price for a share of FMG common stock on the over the counter bulletin board on the date of the effective time of the Merger.

*No Liability.* None of the Exchange Agent, the surviving entity or any party to the Merger Agreement will be liable to a holder of United's membership units for any amount properly paid to a public official pursuant to any applicable abandoned property, escheat or similar law.

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*Lost, Stolen or Destroyed Company Securities.* In the event any of United's membership units have been lost, stolen or destroyed, the Exchange Agent will issue in exchange for such lost, stolen or destroyed membership units, upon the making of an affidavit and indemnity of that fact by the holder thereof in a form reasonably acceptable to the Exchange Agent, the required number of shares of FMG common stock; provided, however, that FMG may, in its reasonably commercial discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed membership units to deliver a bond in such sum as it may reasonably direct against any claim that may be made against FMG or the Exchange Agent with respect to such membership units alleged to have been lost, stolen or destroyed.

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## **TAX CONSIDERATIONS**

### **Material United States Federal Income Tax Consequences of the Merger**

The following describes the material United States federal income tax considerations of the Merger that are generally applicable to the holders of United membership units and the holders of shares of FMG common stock. This discussion is based on the Internal Revenue Code of 1986, as amended (referred to as the Code), existing, temporary, and proposed Treasury regulations thereunder, current administrative rulings and judicial decisions, all as currently in effect and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. This discussion applies only to holders of United membership units and shares of FMG common stock who hold such membership units and shares as capital assets within the meaning of Section 1221 of the Code. Further, this discussion does not address all aspects of United States federal taxation that may be relevant to a particular holder of United membership units or FMG common stock in light of such holder's personal circumstances or to holders subject to special treatment under the United States federal income tax laws, including:

banks or other financial institutions;  
entities treated as pass-through entities for United States federal income tax purposes and investors in such entities;  
insurance companies;  
tax-exempt organizations;  
dealers in securities or currencies;  
traders in securities that elect to use a mark to market method of accounting;  
persons that hold United membership units or FMG common stock as part of a straddle, hedge, constructive sale or conversion transaction;

persons who are subject to alternative minimum tax;  
persons who are not citizens or residents of the United States;  
United States persons that have a functional currency other than the United States dollar; or  
holders who acquired their shares of FMG common stock or their United membership units through the exercise of an employee stock or unit option or otherwise as compensation.

This discussion is also limited to holders of United membership units or shares of FMG common stock who are United States persons. For purposes of this discussion, the term "United States person" means:

an individual citizen or resident of the United States;  
a corporation (or an entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate, the income of which is subject to United States federal income tax regardless of its source; or  
a trust that (x) is subject to the supervision of a court within the United States and the control of one or more United States persons or (y) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

In addition, this discussion does not address any state, local or foreign tax consequences of the Merger.

**EACH HOLDER OF UNITED MEMBERSHIP UNITS AND OF SHARES OF FMG COMMON STOCK IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER, AS WELL AS THE EFFECTS OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS, IN LIGHT OF THE PARTICULAR CIRCUMSTANCES OF SUCH HOLDER.**

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## **Tax Consequences of the Merger to Holders of United Membership Units.**

As a consequence of the Merger, holders of United membership units who receive cash, shares of FMG common stock and warrants, pursuant to the Merger generally will recognize capital gain or loss as a result of the Merger, measured by the difference, if any, between the value of the merger consideration received per membership unit and the holder's adjusted tax basis in that membership unit. Any holder of United membership units who exercises dissenter's and appraisal rights pursuant to the Merger and receives cash in exchange for such holder's membership units in United generally will recognize gain or loss measured by the difference between the amount of cash received and the adjusted tax basis of such holder's United membership units exchanged therefor. If a United Member who receives cash in exchange for the Member's membership units actually or constructively owns FMG common stock after the Merger (as the result of prior actual or constructive ownership of FMG common stock or otherwise), all or a portion of the cash received by the holder of United membership units may be taxed as a dividend pursuant to Section 302 of the Internal Revenue Code, in which case the holder may have dividend income up to the amount of the cash received. In such cases, holders should consult their tax advisors to determine the amount and character of the income recognized in connection with the Merger.

The capital gain or loss recognized by holders of United membership units as described above will constitute long-term capital gain or loss if the holder held such membership units for more than one year as of the effective time of the Merger. Long-term capital gains of noncorporate taxpayers generally are taxable at a maximum federal income tax rate of 15%. Capital gains of corporate holders generally are taxable at the regular tax rates applicable to corporations. The deductibility of capital losses may be subject to limitations.

A holder of United membership units who receives shares of FMG common stock and warrants pursuant to the Merger will have an aggregate tax basis in the FMG common stock and warrants received in the Merger equal to its

fair market value at the time of the closing of the Merger, and the holding period for the shares of FMG common stock and warrants would begin the day after the closing of the Merger.

## **Tax Consequences of the Merger to FMG Stockholders.**

No gain or loss will be recognized by the stockholders of FMG pursuant to the Merger who do not exchange their shares of FMG common stock pursuant to the Merger, continue to own such shares of FMG and do not exercise their conversion rights. Stockholders of FMG who exercise their conversion rights and effect a termination of their interest in FMG will generally be required to recognize gain or loss upon the exchange of that stockholder's shares of FMG common stock for cash. Such gain or loss will be measured by the difference between the amount of cash received and the tax basis of that stockholder's shares of FMG common stock. This gain or loss will generally be capital gain or capital loss and that capital gain or loss will be a long-term capital gain or loss if the holding period for the shares of FMG common stock is more than one year. There are limitations on the extent to which stockholders may deduct capital losses from ordinary income. If an FMG stockholder who receives cash in exchange for all of the stockholder's shares of FMG stock constructively or otherwise owns FMG common stock after the conversion, all or a portion of the cash received by the stockholder may be taxed as a dividend pursuant to Section 302 of the Internal Revenue Code, and those stockholders should consult their tax advisors to determine the amount and character of the income recognized in connection with the Merger.

## **Tax Consequences of the Merger Generally to FMG and United.**

No gain or loss will be recognized by FMG or United as a result of the Merger.

## **Backup Withholding and Information Reporting.**

Payments of cash to a holder of United membership units as a result of an exercise of dissenter's rights and payments of cash to a holder of FMG common stock as a result of an exercise of conversion rights may, under certain circumstances, be subject to information reporting and backup withholding at a rate of 28% of the cash payable to the holder, unless the holder provides proof of an applicable exemption satisfactory to FMG and the exchange agent or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any such holder that does not provide its correct taxpayer identification number may also be subject to penalties imposed by the Internal Revenue Service. Any amounts withheld from payments to a holder under the backup withholding rules are not additional tax and

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will be allowed as a refund or credit against the holder's United States federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

**IRS Circular 230 Notice: To ensure compliance with requirements imposed by the Internal Revenue Service in Circular 230, you are hereby informed that (i) any discussion of federal income tax issues in this proxy statement/prospectus is not intended or written to be relied upon, and cannot be relied upon, by any taxpayer for the purpose of avoiding penalties that may be imposed on such taxpayer under the Code; (ii) any such discussion is included herein in connection with the promotion or marketing (within the meaning of Circular 230) of the transactions or matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor.**

**THE PRECEDING DISCUSSION IS A SUMMARY OF THE MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER AND DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OR DISCUSSION OF ALL POTENTIAL TAX CONSEQUENCES RELEVANT THERETO.**

**EACH HOLDER OF UNITED MEMBERSHIP UNITS AND SHARES OF FMG COMMON STOCK IS URGED TO CONSULT A TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT TO HIM, HER OR IT, INCLUDING TAX RETURN REPORTING REQUIREMENTS, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS, AS WELL AS ANY PROPOSED TAX LAW CHANGES.**

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## **OTHER MATTERS**

### **Satisfaction of 80% Requirement**

We represented in the prospectus relating to our IPO that the business acquired by us in our initial business combination would have a fair market value equal to at least 80% of our net assets at the time of the transaction, including the funds held in the trust account. Based on a financial analysis by our Board of Directors in evaluating and approving the Merger, our Board of Directors has determined the Merger meets this requirement.

The terms of the Merger were determined based upon arms-length negotiations between the Company and United, with whom we had no prior dealings. Under the circumstances, our Board of Directors believes that the total consideration for the Merger appropriately reflects the fair market value of United. In light of the financial background and experience of members of our management and Board of Directors, our Board also believes it is qualified to determine whether the Merger meets this requirement.

### **Regulatory Matters**

The Company does not expect the Merger will be subject to any state or federal regulatory requirements other than approval of the Florida OIR, filings under applicable securities laws, filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the laws of the State of Florida relating to mergers and acquisitions and the effectiveness of the registration statement of which this proxy statement/prospectus is part. The Company intends to comply with all such requirements. We do not believe, in connection with the completion of the Merger, any consent, approval, authorization or permit of, or filing with or notification to, any acquisition control authority will be required in any jurisdiction.

### **Consequences if Merger Proposal is Not Approved**

If the Merger Proposal is not approved by the stockholders, the Company will not purchase the membership units of United. In such event, management of the Company may not have the time, resources or capital available to find a suitable business combination partner before: (i) the proceeds in the trust account are liquidated to holders of shares purchased in the Company's IPO and (ii) the Company's corporate existence ceases by operation of law, in accordance with the Company's amended and restated certificate of incorporation and pursuant to stockholder approval. Management believes, however, it will consummate a business combination with another suitable merger partner by October 4, 2009 in the event the Merger Proposal is not approved by our stockholders.

If a liquidation were to occur by October 4, 2009, the Company estimates approximately \$850,000 in interest, less applicable federal and state income and franchise taxes, would accrue on the amounts that are held in trust through such date. This amount, along with the Company's IPO proceeds held in trust, less any liabilities not indemnified by certain members of the Company's Board and not waived by the Company's creditors, would be distributed to the holders of the 4,733,625 shares of common stock purchased in the Company's IPO. The Company currently estimates there would be approximately \$300,000 in Delaware franchise tax, federal and state income tax claims which are not indemnified and not waived by such taxing authorities. Thus, the Company estimates that the total amount available for distribution upon liquidation would be approximately \$37,500,000 or approximately \$7.91 per share (after taking into account disbursements for working capital).

Separately, the Company estimates the liquidation process would cost approximately \$50,000 and that the Company would be indemnified for such costs by the Company's sponsor or certain of the Company's executive officers. We do not believe there would be any claims or liabilities against which the Company's sponsor or certain of the Company's executive officers have agreed to indemnify the trust account in the event of such liquidation. In the event such persons indemnifying the Company are unable to satisfy their indemnification obligation or in the event there are subsequent claims such as subsequent non-vendor claims for which such persons have no indemnification obligation, the amount ultimately distributed to stockholders may be reduced even further. However, the Company currently has no basis to believe there will be any such liabilities or to provide an estimate of any such liabilities. The only cost of liquidation the Company is aware of that would not be indemnified against by the Company's sponsor or such officers and directors is the cost of any associated litigation.

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### **Required Vote**

The approval of the Merger Proposal will require the affirmative vote of a majority of the shares of the common stock issued in the Company's IPO that vote on this proposal at the Special Meeting. A total of 4,733,625 shares were issued in our IPO. In addition, notwithstanding the approval of a majority, if the holders of 1,419,615 or more shares of common stock issued in the Company's IPO, an amount equal to 29.99% of the total number of shares issued in the IPO, vote against the Merger Agreement and demand conversion of their shares into a pro rata portion of the trust account, then the Company will not be able to consummate the Merger. Each of the Company's stockholders that holds shares of common stock issued in the Company's IPO or purchased following such offering in the open market has the right, assuming such stockholder votes against the Merger Proposal, to simultaneously demand the Company convert such stockholder's shares into cash equal to a pro rata portion of the trust account in which a substantial portion of the net proceeds of the Company's IPO is deposited. These shares will be converted into cash only if the Merger is consummated and the stockholder requesting conversion holds such shares until the date the Merger is consummated.

### **Abstentions and Broker Non-Votes**

If your broker holds your shares in its name and you do not give the broker voting instructions, under the rules of FINRA, your broker may not vote your shares on the proposal to approve the Merger. If you do not give your broker voting instructions and the broker does not vote your shares, this is referred to as a broker non-vote. Abstentions and broker non-votes are counted for purposes of determining the presence of a quorum.

As long as a quorum is established at the Special Meeting, if you return your proxy card without an indication of how you desire to vote, it: (i) will have the same effect as a vote in favor of the Merger Proposal and will not have the effect of converting your shares into a pro rata portion of the trust account (in order for a stockholder to convert his or



her shares, he or she must cast an affirmative vote against the Merger Proposal and make an affirmative election on the proxy card to convert such shares of common stock and the Merger must be consummated); (ii) will have the same effect as a vote in favor of the First Amendment Proposal; (iii) will have the same effect as a vote in favor of the Second Amendment Proposal; (iv) will have the same effect as a vote in favor of the Third Amendment Proposal; (v) will have no effect on the Director Proposal; and (vi) will have the same effect as a vote in favor of the Adjournment Proposal.

Since the Merger Proposal requires only a majority of the Company shares issued in the IPO that cast a vote at the Special Meeting, abstentions or broker non-votes will not count towards such number. This has the effect of making it easier for the Company to obtain a vote in favor of the Merger Proposal as opposed to some of the Company's other proposals or as opposed to the vote generally required under the Delaware General Corporation Law, namely a majority of the shares issued and outstanding. Furthermore, in connection with the vote required for the Merger Proposal, the founding stockholders of the Company have agreed to vote the shares of common stock owned or acquired by them prior to the IPO in accordance with the majority of the Company's shares issued in the IPO. Any shares acquired in or following the IPO will be voted in favor of the Merger Proposal.

If you hold your shares in street name you can obtain physical delivery of your shares into your name, and then vote the shares yourself. In order to obtain shares directly into your name, you must contact your brokerage firm representative. Brokerage firms may assess a fee for your conversion; the amount of such fee varies from firm to firm.

## Dissenters Rights

Under Delaware law, our stockholders are not entitled to dissenters' rights for their shares in connection with the Merger.

## Accounting Treatment

The Merger will be accounted for as a reverse merger and recapitalization since the members of United will own a majority of the Company's common stock and effectively control the Company immediately following the completion of the Merger. United will be deemed to be the accounting acquirer in the transaction and, consequently, the transaction is treated as a recapitalization of United. Accordingly, the assets

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and liabilities and the historical operations that are reflected in the financial statements will be those of United and will be recorded at the historical cost basis of United. Our assets, liabilities and results of operations will be consolidated with the assets, liabilities and results of operations of United after consummation of the Merger.

## Recommendation

The foregoing discussion of the information and factors considered by the Company Board of Directors is not meant to be exhaustive, but includes the material information and factors considered by the Company Board of Directors. After careful consideration, the Company's Board of Directors has determined unanimously that the Merger Proposal is fair to, and in the best interests of, the Company and its stockholders.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THE STOCKHOLDERS VOTE FOR THE MERGER PROPOSAL**

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## THE PRIVATE PLACEMENT

### Background

On August 15, 2008, FMG entered into a note purchase agreement with certain accredited investors for the issuance and sale in a private placement of 11% promissory notes in the aggregate principal amount of \$18,279,570 (the Notes ). This transaction is referred to herein as the private placement. The Company will enter into the private placement only in the event that Proposals 1, 2, 3 and 5 are approved. If FMG stockholders do not approve Proposals 1, 2, 3 and 5, the private placement will not be consummated.

### Use of Proceeds

The net cash proceeds from the private placement are estimated to be \$10,000,000. FMG intends to use the net cash proceeds of the private placement to fund all or a portion of the amount needed to consummate the tender offer discussed below under *Tender Offer* and any remaining proceeds will be used for general corporate purposes.

### Reason for the Private Placement

The private placement will provide additional financing to the Company, substantially all of which will be used to consummate the tender offer or, to the extent not used for that purpose, such proceeds will be used for general corporate purposes. If the Company utilizes all of the net proceeds of the private placement to consummate the tender offer, it will not have these funds available for general corporate purposes.

### Summary of the Note Purchase Agreement

Under the terms of the note purchase agreement, and subject to the conditions specified therein, the investors are obligated to purchase from FMG, and FMG is obligated to sell to the investors Notes in the face value amount of \$18,279,570 for a purchase price of \$17,000,000. FMG expects \$10,000,000 of the purchase price will be paid in cash and the remaining \$7,000,000 of the purchase price will be paid with FMG common stock, as described under *The Exchange Offer* on page 88. The Notes are unsecured and are not convertible into shares of FMG common stock.

*Representations and Warranties.* The note purchase agreement contains certain representations and warranties of FMG and the Investors. FMG has made representations and warranties regarding, among other things:

- due organization and similar corporate matters;
- authorization, performance and enforceability of the note purchase agreement and the Notes;
- absence of conflicts between the transaction documents and the Merger Agreement, on the one hand, and the organizational documents or contractual obligations of FMG or any laws or rules applicable to FMG, on the other hand;
- filings, consents and approvals needed to complete the private placement;
- due authorization of the Notes;
- subsidiaries (not including United);
- accuracy of FMG's SEC reporting and financial statements;
- tax matters;

legal proceedings;  
licenses and permits;  
use of proceeds;  
brokers fees;  
compliance with securities laws;  
ERISA matters;

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lack of investment company status;  
the truth and accuracy of the representations and warranties in the merger agreement; and  
various matters relating to the trust account.

The investors have made representations and warranties regarding, among other things: status as an accredited investor; investment intent; its understanding that FMG has relied on its representations in determining the validity of the private placement; voting in favor of the Merger and the other proposals by persons participating in the exchange offer; and the lack of status as a registered broker-dealer.

*Covenants.* From the signing of the note purchase agreement until the Notes are repaid in full, FMG has agreed that neither it nor any of its subsidiaries will take any of the following actions, without the prior consent of the investors:

incur more than \$40,000,000 in debt, in addition to the current \$20,000,000 Surplus Note in favor of the State Board of Administration of the State of Florida;

sell, lease, assign, transfer or otherwise dispose of any assets;

enter into any transaction with any affiliate except in the ordinary course and on terms no less favorable to FMG or such subsidiary than would be obtainable in a comparable arm's-length transaction;

amend, supplement or otherwise modify in any material respect the contractual arrangements between FMG and United Insurance Management, L.C. existing on the date of the note purchase agreement (or terminate the same or otherwise waive any material condition or agreement contained therein) or enter into any additional contractual arrangements with each other, in any case which could be reasonably expected to have a material adverse effect (as defined in the note purchase agreement);

make any restricted payment (such as a dividend to stockholders) of cash, securities or other property if, after giving effect thereto, the consolidated net worth (as defined in the note purchase agreement) of FMG and its subsidiaries is less than \$45,000,000;

consolidate with, merge, convey, transfer or lease all or substantially all of its assets or purchase or acquire the assets of any person, except where same could not be reasonably expected to have a material adverse effect;

change the general nature of their respective businesses;

dissolve, or change its legal form or any of its governing documents or otherwise terminate, amend or modify any such governing document if such change, termination or amendment could be reasonably expected to have a material adverse effect; or

become described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti Terrorism Order or engage in any dealings or transactions with any such person.

FMG has agreed to use its commercially reasonable efforts to take all actions necessary to consummate as promptly as practicable following the Special Meeting, but prior to the consummation of the Merger, the transactions contemplated by the note purchase agreement and to obtain in a timely manner all necessary consents and effect all necessary filings with governmental authorities. The investors and FMG have agreed to cooperate with each other in connection with the making of all such filings and to use their respective commercially reasonable efforts to furnish to each other all information required for any application or filing to be made in order to effectuate the transactions contemplated by the note purchase agreement.

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*Closing Conditions.* The transactions contemplated by the note purchase agreement are subject to various closing conditions, including, without limitation, the following:

acceptability of the Merger Agreement by investors;  
 satisfaction of conditions to the Merger Agreement and note purchase agreement;  
 accuracy of all representations and warranties of FMG and the investors;  
 material compliance with all covenants, agreements and conditions;  
 there being no injunction which would prohibit consummation of the private placement;  
 there shall have occurred no event or series of events which would constitute a material adverse effect (as defined in the note purchase agreement) of FMG or United; and  
 approval of FMG's stockholders of the Merger Agreement and the other proposals, required in order to consummate the Merger.

*Termination.* The note purchase agreement may be terminated at any time prior to the closing of the private placement, as follows:

by the mutual consent of FMG and the purchasers of the Notes;  
 by either FMG or the purchasers, if any permanent injunction or other order of a court or other competent governmental agency preventing the consummation of the acquisition of the Notes shall have become final and nonappealable; or  
 by either FMG or the purchasers if the acquisition of the Notes has not been consummated by October 18, 2008, unless such party's breach of the note purchase agreement is the cause of the failure to consummate the issuance of the Notes by such date, in which case that party may not terminate.

*Trust Account Waiver.* The investors have agreed they do not now have, and shall not at any time have any rights, title, interest or claim of any kind in or to, or make any claim of any kind against, monies held in the trust account and to irrevocably waive any claim 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 account for any reason whatsoever in respect thereof. In the event the investors commence any action or proceeding based upon, in connection with, relating to or arising out of any matter relating to FMG, which proceeding seeks, in whole or in part, relief against the trust account or FMG's public stockholders for money damages, FMG shall be entitled to recover from the investors the associated legal fees and costs in connection with any such action in the event FMG prevails in such action or proceeding.

*Indemnification.* FMG has agreed to indemnify the investors (and their affiliated parties) from and against any and all losses, as incurred, directly or indirectly arising out of, based upon or relating to any breach by FMG of any of the representations, warranties or covenants made by it in the note purchase agreement or any allegation by a third party that, if true, would constitute such a breach; provided, however, that FMG shall not be liable to the investors for incidental, indirect, special, exemplary, consequential or punitive damages. Additionally, FMG has agreed to pay the holders of Notes an amount equal to the loss, liability or cost which any holder of a Note (or any direct or indirect investor therein) determines will be or has been suffered for or on account of any U.S. tax against such Note holder, other than any income tax assessed on a Note holder (or a direct or indirect investor therein) under the law of the jurisdiction in which such Note holder (or a direct or indirect investor therein) is incorporated or is a resident.

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## Description of the Notes

### General

The Notes are our unsecured obligations and rank equally with all of our other unsecured and unsubordinated indebtedness. The principal amount of the Notes is \$18,279,570.

### Interest

Interest on the Notes accrues at the rate of 11% per year and will be payable semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2009.

### Maturity

The Notes will mature three years from the date of issuance, which is expected to be as soon as reasonable practicable following stockholder approval of Proposals 1, 2, 3 and 5.

### Prepayment of Notes at Our Option

We have the right, at our option, to prepay all of the Notes then outstanding in full within 30 days after the occurrence of each of the first and second anniversary of the closing of the purchase and sale of the Notes. The purchase price for such prepayment will be 105% of the aggregate principal amount of the Notes being prepaid.

### No Stockholder Rights for Holders of Notes

Holders of Notes, as such, will not have any rights as our stockholders (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock).

### No Conversion Rights

Holders may not convert their Notes into cash, FMG common stock, or any other securities of FMG.

### Events of Default, Notice and Waiver

The following events will be events of default with respect to the Notes:

- (i) default in the payment of principal or interest on the Notes;
- (ii) default in the performance of or compliance with any term in the note purchase agreement;
- (iii) any representation or warranty provided by the Company or its officers in false or incorrect in any material respect;
- (iv) default in the payment of an aggregate principal amount exceeding \$5,000,000 with respect to any debt;
- (v) final judgment rendered against the Company exceeding \$10,000,000 (\$5,000,000 in certain circumstances);
- (vi) certain events of bankruptcy, insolvency or reorganization, or court appointment of a receiver, liquidator or trustee; and
- (vii) certain defaults under the Company's employee benefit plan.

If an event of default described in (v) has occurred, all the Notes then outstanding will automatically become immediately due and payable. If any other event of default has occurred and is continuing, any holder or holders of

more than 50% in principal amount of the Notes at the time outstanding may declare all the Notes then outstanding to be immediately due and payable. If any event of default in (i) or (ii) has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such event of default may at any time, declare all the Notes held by it or them to be immediately due and payable.

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## **Additional Yield Agreement**

In connection with the purchase and sale of the Notes for cash, our sponsor, FMG Investors LLC, has agreed, in certain circumstances, pursuant to an Additional Yield Agreement, to pay to those purchasers of Notes who paid cash for such Notes, but not to any party who acquired Notes through the exchange offer, an amount of cash sufficient to increase such Purchasers' internal rate of return on the purchase price of their respective Notes to 16%. However, in no event shall payment to any such holder of Notes exceed 5% of the purchase price of such Notes. FMG Investors LLC has also agreed it will bear the cost of any deduction or withholding required to be made in connection with such payment. FMG Investors LLC is owned by Gordon G. Pratt, our Chairman, President and Chief Executive Officer, and Larry G. Swets, Jr., our Chief Financial Officer.

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## **THE EXCHANGE OFFER**

### **General**

On August 15, 2008, FMG entered into an agreement with certain institutional holders of FMG common stock wherein such holders agreed to exchange their shares of FMG common stock for promissory notes issued by the Company. This transaction is referred to herein as the exchange offer. The promissory notes issued in the exchange offer will be identical to the Notes issued in the private placement. Accordingly, the Company will issue Notes with an aggregate principal amount of \$7,526,882 in exchange for 869,565 shares of FMG common stock. The Company will close the exchange offer only in the event that Proposals 1, 2, 3 and 5 are approved. If FMG stockholders do not approve Proposals 1, 2, 3 and 5, or if either of the private placement or the Merger do not close, the exchange offer will not be consummated.

### **Use of Proceeds**

FMG will not receive any proceeds from the exchange offer, other than the shares of FMG common stock exchanged, which will be subsequently retired.

### **Reason for the Exchange Offer**

FMG's management believes the exchange offer will enhance the likelihood of stockholder approval of the proposals included in this proxy statement. Specifically, holders participated in the exchange offer have agreed to vote in favor of the Merger and the other proposals at the Special Meeting. Such holders represent 18.4% of the number of shares of

FMG common stock issued at the IPO. Accordingly, the number of shares necessary to approve the proposals will be commensurately reduced.

## Eligibility

Since the Notes will not be registered under the Securities Act, the exchange offer was limited to sophisticated investors defined as accredited investors and qualified institutional buyers as those terms are defined under U.S. federal securities laws.

## Description of the Notes

For a description of the Notes issued in the exchange offer, see The Private Placement Description of the Notes.

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## THE TENDER OFFER

*The tender offer described in this proxy statement commenced on August 29, 2008. The description contained herein is neither an offer to purchase nor a solicitation of an offer to sell shares of FMG common stock. The solicitation and the offer to buy shares of FMG common stock is only being made pursuant to an offer to purchase, forms of letters of transmittal and other documents relating to the tender offer which FMG filed with the SEC on August 29, 2008. FMG stockholders should read the Tender Offer Statement and the other documents relating to the tender offer carefully and in their entirety prior to making any decisions with respect to the offer because they contain important information about the tender offer, including the terms and conditions of the offer. FMG stockholders are currently able to obtain the Tender Offer Statement and the other documents relating to the tender offer free of charge at the SEC's website at <http://www.sec.gov>, or from the information agent named in the tender offer materials.*

## Commencement of the Tender Offer

On August 29, 2008, FMG commenced a cash self tender offer to purchase up to 3,320,762 shares of its common stock (reduced by the number of shares for which conversion was elected) at a purchase price of \$8.05 per share, net to each seller in cash. The maximum number of shares we may purchase in the tender offer shall be reduced by the number of shares for which conversion rights are exercised. FMG expects to close the tender offer at 5:00 PM Eastern Daylight Time on September 29, 2008.

## Proration

If, at the expiration date of the tender offer, more than 3,320,762 shares of FMG common stock have been validly tendered, FMG will purchase from each tendering stockholder a prorated number of shares of FMG common stock. Proration for each stockholder tendering shares will be based on the product of (A) the number of shares of FMG common stock that have been properly tendered and not properly withdrawn by a particular stockholder and (B) (i) 3,320,762 (reduced by the number of shares for which conversion was elected), divided by (ii) the total number of shares of FMG common stock properly tendered and not properly withdrawn by all stockholders. FMG's management believes that the tender offer will enhance the likelihood of stockholder approval of the proposals at the Special Meeting because the tender offer will provide a liquidity opportunity for at least part of the FMG shares held by those stockholders desiring liquidity for their shares. If FMG stockholders do not approve Proposals 1, 2, 3 and 5, or if the

private placement or the Merger shall not have taken place, FMG will not consummate the tender offer.

## No Recommendation

FMG's board of directors makes no recommendation as to whether FMG stockholders should tender all or any shares in the tender offer.

## Funding of the Tender Offer

Assuming the maximum number of shares 3,320,762 is tendered in the tender offer, the aggregate purchase price for the shares of FMG common stock tendered in the tender offer will be approximately \$26,732,134.

The purchase of shares tendered in the tender offer will be funded as follows:

the first \$10,000,000 of the aggregate consideration will be funded by FMG with the net cash proceeds from the issuance of the Notes in the private placement; and any remaining funding for the purchase of the shares tendered in the tender offer will be provided from available cash on hand following the release of the funds in the trust account following consummation of the Merger which we reserved for payment for conversion of shares of stockholders voting against the Merger and seeking conversion into cash of approximately \$11,232,134 and if necessary, up to \$5,500,000 of cash on hand from United.

## No Tender by Founding Stockholders, Our Sponsor or Our Officers and Directors

Each of our officers, directors and sponsor has agreed not to tender any shares of FMG common stock to FMG pursuant to the tender offer. In addition, holders of FMG common stock participating in the exchange offer will not tender any of their shares.

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## Ownership of FMG Common Stock Following the Tender Offer

The following table describes the number of shares of FMG common stock that will be outstanding if no holders or all holders of shares of FMG common stock exercise their conversion rights in connection with the merger and if (A) all or (B) none of the shares of FMG common stock are tendered in the tender offer. This table assumes no exercise of outstanding warrants to purchase shares of FMG common stock.

	No Holders Exercise Their Conversion Rights	Holders Exercise Their Conversion Rights as to Shares
All shares tendered	10,476,704	9,057,090
No shares tendered	13,797,466	12,377,852



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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;
- occurrence of the private placement and exchange offer;
- occurrence of the tender offer;
- the forfeiture of shares and warrants from FMG Investors LLC and the subsequent re-issue;
- does not reflect any exercise of warrants; and

the columns reflecting the beneficial ownership after consummation of the Merger assumes the issuance of all 8,750,000 shares and 1,093,750 warrants.

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Name and Address of Beneficial Owners <sup>(1)</sup>	Shares Owned Upon Closing of Private Placement, Exchange Offer and Tender Offer <sup>(2)</sup>							
	No Conversion Rights Exercised				Full Conversion Rights Exercised			
	No Shares Tendered		Shares Tendered		No Shares Tendered		Shares Tendered	
	#	%	#	%	#	%	#	%
Gregory C. Branch, Chairman of the Board <sup>(3)</sup>	1,515,007	10.98 %	1,528,529	14.59 %	1,515,060	12.24 %	1,528,550	16.88 %
FMG Investors LLC <sup>(4)</sup>	975,179	7.07 %	901,525	8.61 %	974,890	7.88 %	901,410	9.95 %
Gordon G. Pratt, Chairman, Chief Executive Officer and President <sup>(4)</sup>	975,179	7.07 %	901,525	8.61 %	974,890	7.88 %	901,410	9.95 %
Larry G. Swets, Jr., Chief Financial Officer, Secretary, Treasurer, Executive Vice President <sup>(4)</sup>	975,179	7.07 %	901,525	8.61 %	974,890	7.88 %	901,410	9.95 %
Donald J. Cronin, President and Chief Executive Officer	78,443	0.57 %	79,143	0.76 %	78,445	0.63 %	79,144	0.87 %
Nicholas W. Griffin, Chief Financial Officer	45,573	0.33 %	45,980	0.44 %	45,575	0.37 %	45,981	0.51 %
Melvin A. Russell, Jr.,	47,172	0.34 %	47,593	0.45 %	47,174	0.38 %	47,594	0.53 %

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Chief Underwriting Officer Alec L. Poitevint, II, Director <sup>(5)</sup>	349,480	2.53 %	352,600	3.37 %	349,492	2.82 %	352,604	3.89 %
Kent G. Whittemore, Director <sup>(6)</sup>	215,250	1.56 %	217,171	2.07 %	215,257	1.74 %	217,174	2.40 %
James R. Zuhlke, Director	18,661	0.14 %	17,251	0.16 %	18,655	0.15 %	17,249	0.19 %
HBK Investments L.P. <sup>(7)</sup>	298,803	2.17 %	42,013	0.40 %	134,683	1.09 %	28,595	0.32 %
Brian Taylor <sup>(8)</sup>	437,500	3.17 %	61,514	0.59 %	306,294	2.47 %	65,029	0.72 %
Bulldog Investors <sup>(9)</sup>	661,049	4.79 %	92,945	0.89 %	276,527	2.23 %	58,709	0.65 %
Millenco LLC <sup>(10)</sup>	189,375	1.37 %	26,627	0.25 %	132,581	1.07 %	28,148	0.31 %
D.B. Zwirn Special Opportunities Fund, L.P. <sup>(11)</sup>	178,500	1.29 %	25,098	0.24 %	124,968	1.01 %	26,532	0.29 %
D.B. Zwirn Special Opportunities Fund, Ltd. <sup>(11)</sup>	246,500	1.79 %	34,659	0.33 %	172,575	1.39 %	36,639	0.40 %
D.B. Zwirn & Co., L.P. <sup>(11)</sup>	425,000	3.08 %	59,756	0.57 %	297,543	2.40 %	63,171	0.70 %
DBZ GP, LLC <sup>(11)</sup>	425,000	3.08 %	59,756	0.57 %	297,543	2.40 %	63,171	0.70 %
Zwirn Holdings, LLC <sup>(11)</sup>	350,000	2.54 %	49,211	0.47 %	245,035	1.98 %	52,023	0.57 %
Daniel B. Zwirn <sup>(11)</sup>	350,000	2.54 %	49,211	0.47 %	245,035	1.98 %	52,023	0.57 %
Weiss Asset Management, LLC <sup>(12)</sup>	180,642	1.31 %	25,399	0.24 %	126,467	1.02 %	26,850	0.30 %
Weiss Capital, LLC <sup>(12)</sup>	90,395	0.66 %	12,710	0.12 %	63,286	0.51 %	13,436	0.15 %
Andrew M. Weiss, Ph.D. <sup>(12)</sup>	271,037	1.96 %	38,109	0.36 %	189,753	1.53 %	40,286	0.44 %
All Directors and Officers as a Group (9 persons)	3,244,765	23.52 %	3,189,792	30.45 %	3,244,549	26.21 %	3,189,706	35.22 %

(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.

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Includes 116,200 shares to be held by Greg Branch Family LP, voting and investment power over which will be (3) 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.

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 (7) 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.

Based on information contained in a Statement on Schedule 13D filed by Brian Taylor, Pine River Capital (8) 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.

Based on information contained in a Statement on Schedule 13D filed by Bulldog Investors, Phillip Goldstein and (9) 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.

Based on information contained in a Statement on Schedule 13G filed by Millenco LLC, Millenium Management (10) 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.

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 (11) 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.

Based on information contained in a Statement on Schedule 13G filed by Weiss Asset Management, LLC, Weiss (12) Capital, LLC and Andrew M. Weiss, Ph.D. on July 18, 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

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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.

## **Tender Offer Tax Considerations**

Any material United States federal income tax consequences of the tender offer are described in the Tender Offer Statement and other documents related to the tender offer.

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## **PROPOSAL 2**

### **THE FIRST AMENDMENT PROPOSAL**

#### **General**

Pursuant to the Merger Agreement, we will (i) amend Article Third to remove the limitations on the Company's powers in the event a business combination is not consummated by the Company prior to October 4, 2009, (ii) amend Article Fifth to remove the reference to October 4, 2009 as the date the Company's existence terminates and make the

Company's existence perpetual, and (iii) amend Article Sixth to remove the preamble and sections A, B, C, D and E of Article Sixth of the Company's amended and restated certificate of incorporation and to redesignate section F of Article Sixth as Article Sixth upon consummation of the Merger. If the Merger Proposal is not approved, the amendments to Article Third, Fifth and Sixth will not be presented at the Special Meeting.

In the judgment of our Board of Directors, the amendments to Articles Third, Fifth and Sixth are desirable, as Articles Third, Fifth and sections A, B, C, D and E of Article Sixth relate to the operation of the Company as a blank check company prior to the consummation of a business combination. Such provisions will not be applicable upon consummation of the Merger.

The approval of the amendment to Article Third, amendment to Article Fifth and the amendment to Article Sixth will require the affirmative vote of the holders of a majority of the outstanding shares of Company common stock on the record date.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS OUR STOCKHOLDERS VOTE FOR THE APPROVAL OF THE ARTICLE THIRD AMENDMENT, ARTICLE FIFTH AMENDMENT AND ARTICLE SIXTH AMENDMENT.**

The Company proposes to amend its amended and restated certificate of incorporation to remove those provisions of the Company's amended and restated certificate of incorporation that will no longer be operative upon consummation of the Merger (which constitutes a business combination for purposes of the Company's amended and restated certificate of incorporation), but which were applicable at the time of the Company's formation as a blank check company. Specifically, the Company proposes to (i) amend Article Third to remove the limitations on the Company's powers in the event a business combination is not consummated by the Company prior to October 4, 2009, (ii) amend Article Fifth to remove the reference to October 4, 2009 as the date the Company's existence terminates and make the Company's existence perpetual and (iii) amend Article Sixth to remove the preamble and sections A, B, C, D and E of Article Sixth of the Company's amended and restated certificate of incorporation and to redesignate section F of Article Sixth as Article Sixth upon consummation of the Merger.

**Article Third of the Company's Amended and Restated Certificate of Incorporation Currently Reads As Follows:**

*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; provided, however, that in the event a Business Combination (as defined below) is not consummated prior to the Termination Date (as defined below), then the purposes of the Corporation shall automatically, with no action required by the Board of Directors or the stockholders, on the Termination Date be limited to effecting and implementing the dissolution and liquidation of the Corporation and the taking of any other actions expressly required to be taken herein on or after the Termination Date and the Corporation's powers shall thereupon be limited to those set forth in Section 278 of the DGCL and as otherwise may be necessary to implement the limited purposes of the Corporation as provided herein. This Article Third may not be amended without the affirmative vote of at least 95% of the IPO Shares (as defined below).

**If This Proposal is Approved By the Stockholders, Article Third Will Read in Its Entirety As Follows:**

*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").

**Article Fifth of the Company's Amended and Restated Certificate of Incorporation Currently Reads As Follows:**

*Fifth:* The Corporation's existence shall terminate on October 4, 2009 (the "Termination Date"). This provision may only be amended in connection with, and such amendment shall become effective upon, the consummation of a Business Combination. A proposal to so amend this section shall be submitted to stockholders in connection with any proposed Business Combination pursuant to Article Sixth below. This Article Fifth may not be amended without the affirmative vote of at least 95% of the IPO Shares unless such amendment is in connection with, and becomes effective upon, the consummation of a Business Combination.

**If This Proposal Is Approved By the Stockholders, Article Fifth Will Read in Its Entirety As Follows:**

*Fifth:* The Corporation shall have perpetual existence.

**Article Sixth of the Company's Amended and Restated Certificate of Incorporation Currently Reads As Follows:**

*Sixth:* The following provisions (A) through (F) shall apply during the period commencing upon the filing of this Amended and Restated Certificate of Incorporation and terminating upon the earlier to occur of: (i) the consummation of Business Combination or (ii) the Termination Date and may not be amended prior thereto without the affirmative vote of at least 95% of the IPO Shares unless such amendment is in connection with, and becomes effective upon, the consummation of a Business Combination. A "Business Combination" shall mean the merger, capital stock exchange, asset acquisition or other similar business combination between the Corporation and one or more operating businesses in the education industry having, collectively, a fair market value (as calculated in accordance with the requirements set forth below) of at least 80% of the amount in the Trust Account (less the deferred underwriting discount and commissions and taxes payable) at the time of such transaction.

For purposes of this Article Sixth, the fair market value of an acquisition proposed for a Business Combination shall be determined by the Board of Directors based upon financial standards generally accepted by the financial community, such as actual and potential sales, earnings and cash flow and book value. If the Board of Directors of the Corporation is not able to independently determine the fair market value of the merger partner, the Corporation shall obtain an opinion with regard to such fair market value from an unaffiliated, independent investment banking firm that is a member of the National Association of Securities Dealers, Inc. Notwithstanding the foregoing, if the Corporation pursues a Business Combination with any company that is a portfolio company of, or otherwise affiliated with, or has received financial investment from, any of the private equity firms with which the Corporation's existing stockholders, executive officers or directors are affiliated, the Corporation shall obtain an opinion from an independent investment banking firm that such a Business Combination is fair to the Corporation's stockholders from a financial point of view.

A. Immediately after the Corporation's initial public offering (the "IPO"), the amount of the net offering proceeds received by the Corporation in the IPO (including the proceeds of any exercise of the underwriter's over-allotment option) specified in the Corporation's registration statement on Form S-1 filed with the Securities and Exchange Commission (the "Registration Statement") shall be deposited and thereafter held in a trust account established by the

Corporation (the Trust Account ). Neither the Corporation nor any officer, director or employee of the Corporation shall disburse any of the proceeds held in the Trust Account until the earlier of (i) a Business Combination or (ii) the Termination Date, in each case in accordance with the terms of the investment management trust agreement governing the Trust Account; provided, however, that (x) a portion of the interest earned on the Trust Account as described in the Registration Statement may be released to the Corporation to cover operating expenses, and (y) the Corporation shall be entitled to withdraw such amounts from the Trust Account as would be required to pay taxes on the interest earned on the Trust Account or franchise or other tax obligations of the Corporation.

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B. Prior to the consummation of any Business Combination, the Corporation shall submit such Business Combination to its stockholders for approval regardless of whether the Business Combination is of a type which normally would require such stockholder approval under the DGCL. In the event a majority of the shares cast at the meeting to approve the Business Combination are voted for the approval of such Business Combination, the Corporation shall be authorized to consummate the Business Combination; provided, however, that the Corporation shall not consummate any Business Combination if holders of an aggregate of more than 29.99% in interest of the IPO Shares exercise their redemption rights described in paragraph C below.

C. In the event that a Business Combination is approved in accordance with the above paragraph B and is consummated by the Corporation, any stockholder of the Corporation holding shares of common stock issued in the IPO (the IPO Shares ) who voted against the Business Combination may, contemporaneous with such vote, demand the Corporation redeem his IPO Shares for cash. If so demanded, the Corporation shall, promptly after consummation of the Business Combination, redeem, subject to the availability of lawful funds therefor, such shares at a per share redemption price equal to the amount held in the Trust Account as of two business days prior to the consummation of the Business Combination (net of taxes payable), divided by the total number of IPO Shares, which shall in no event be less than \$7.84 per share.

D. The holders of IPO Shares shall be entitled to receive distributions from the Trust Account only (i) in the event that the Corporation has not consummated a Business Combination by the Termination Date or (ii) in the event they demand redemption of their IPO Shares in accordance with subparagraph C and a Business Combination is approved in accordance with subparagraph B. The Corporation shall pay no liquidating distributions with respect to any shares of capital stock of the Corporation other than IPO Shares. In no other circumstances shall a holder of IPO Shares have any right or interest of any kind in or to the Trust Account. A holder of securities issued in the private placement concurrently with or prior to the consummation of the IPO shall not have any right or interest of any kind in or to the Trust Account.

E. Unless and until the Corporation has consummated a Business Combination as permitted under this Article Sixth, the Corporation may not consummate any other business combination, whether by merger, capital stock exchange, stock purchase, asset acquisition or otherwise.

F. 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. Prior to the IPO, there shall be elected two Class A directors for a term expiring at the Corporation's first Annual Meeting of Stockholders and three Class B directors for a term expiring at the Corporation's second Annual Meeting of Stockholders. 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

Article Sixth of the Company's Amended and Restated Certificate of Incorporation Currently Reads As Follows:

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.

## **If This Proposal is Approved By the Stockholders, Article Sixth Will Read in Its Entirety As Follows:**

*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. Prior to the filing of this Second Amended and Restated Certificate of Incorporation, there shall be elected three Class A directors for a term expiring at the Corporation's first Annual Meeting of Stockholders and three Class B directors for a term expiring at the Corporation's second Annual Meeting of Stockholders. 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

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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.

If the Merger Proposal is not approved, this proposal will not be presented at the Special Meeting. In addition, if the Merger is not subsequently consummated, the Company's Board of Directors will not effect these amendments to the Company's amended and restated certificate of incorporation.

In the judgment of the Company's Board of Directors, if the Merger is consummated, the amendments to the Company's amended and restated certificate of incorporation to remove those provisions of the Company's amended and restated certificate of incorporation that will no longer be operative upon consummation of the Merger is desirable, among other things, to reflect the fact the Company would then be an operating business. A copy of the amended and restated certificate of incorporation as it would be filed if the Merger Proposal and the First Amendment Proposal, the Second Amendment Proposal and Third Amendment Proposal are approved is attached to this proxy statement/prospectus as Annex B.

## **Required Vote**

The approval of the First Amendment Proposal requires the affirmative vote of holders of at least a majority of the outstanding shares of our common stock. Abstentions and broker non-votes, as well as failing to vote by not returning your proxy card, because they are not affirmative votes, will have the same effect as a vote against this proposal.



## Recommendation

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THE STOCKHOLDERS VOTE FOR THE APPROVAL OF THE FIRST AMENDMENT PROPOSAL.**

### Consequence if the First Amendment Proposal is Not Approved

If any of the charter amendment proposals described above are not approved by FMG's stockholders, FMG will not amend its amended and restated certificate of incorporation and the Merger will not be completed.

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### PROPOSAL 3

## THE SECOND AMENDMENT PROPOSAL

### General

We will revise the preamble to Article Fourth of our amended and restated certificate of incorporation to increase the authorized number of shares of common stock from 20,000,000 to 50,000,000. Currently the Company has authorized 21,000,000 shares, of which 20,000,000 are authorized shares of common stock and 1,000,000 are authorized shares of preferred stock. To date, 5,917,031 authorized shares of common stock and no shares of preferred stock have been issued and 6,883,625 shares of common stock are issuable upon the exercise of our outstanding warrants and the underwriters' purchase option. The Merger Agreement requires the issuance of 8,750,000 shares of Common Stock to the current members of United.

In the judgment of our Board of Directors, the Article Fourth amendment is desirable, as an increase in the authorized number of shares of common stock is necessary in order to have a sufficient number of authorized shares of common stock available for issuance to the members of United as part of the consideration pursuant to the Merger Agreement and for general corporate purposes following the Merger, if approved. An increase in the authorized share amounts will enable the Company to issue additional shares of stock, which could prohibit or delay mergers or other changes of control attempts, and thus may discourage attempts to acquire the Company. There are no current plans for the proposed newly authorized shares other than the issuance in the Merger and the exercise of outstanding warrants and the underwriters' purchase option.

The approval of the Article Fourth amendment will require the affirmative vote of the holders of a majority of the outstanding shares of Company common stock as of the record date.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT OUR STOCKHOLDERS VOTE FOR THE APPROVAL OF THE ARTICLE FOURTH AMENDMENT.**

The Company proposes to amend its amended and restated certificate of incorporation to revise the preamble to Article Fourth to increase the authorized number of shares of common stock from 20,000,000 to 50,000,000.

## **Article Fourth of the Company s Amended and Restated Certificate of Incorporation Currently Reads As Follows:**

*Fourth:* The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 21,000,000, of which 20,000,000 shares shall be Common Stock of the par value of \$0.0001 per share and 1,000,000 shares shall be Preferred Stock of the par value of \$0.0001 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.

## **If This Proposal is Approved By the Stockholders, Article Fourth Will Read in Its Entirety As Follows:**

*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 \$0.0001 per share and 1,000,000 shares shall be Preferred Stock of the par value of \$0.0001 per share.

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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.

In the judgment of the Company s Board of Directors, the amendment to the Company s amended and restated

certificate of incorporation to increase the amount of authorized shares of common stock, is desirable, among other things, to reflect the fact the Company might issue shares in the future. A copy of the amended and restated certificate of incorporation as it would be filed if the Merger Proposal and the First Amendment Proposal, the Second Amendment Proposal and the Third Amendment Proposal are approved is attached to this proxy statement/prospectus as Annex B.

## Required Vote

The approval of the Second Amendment Proposal requires the affirmative vote of holders of at least a majority of the outstanding shares of our common stock. Abstentions and broker non-votes, as well as failing to vote by not returning your proxy card, because they are not affirmative votes, will have the same effect as a vote against this proposal.

## Recommendation

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THE STOCKHOLDERS VOTE FOR THE APPROVAL OF THE SECOND AMENDMENT PROPOSAL.**

## Consequence if the Second Amendment Proposal is Not Approved

If the charter amendment proposal described above is not approved by FMG's stockholders, FMG will not amend its amended and restated certificate of incorporation and the Merger will not be completed.

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## PROPOSAL 4

## THE THIRD AMENDMENT PROPOSAL

### General

We will revise Article First of our amended and restated certificate of incorporation to change the name of the company from FMG Acquisition Corp. to United Insurance Holdings Corp.

In the judgment of our Board of Directors, the Article First amendment is desirable, as a change in our name more properly reflects who we are and the business we will be engaged in following the Merger.

The approval of the Article First amendment will require the affirmative vote of the holders of a majority of the outstanding shares of Company common stock as of the record date.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT OUR STOCKHOLDERS VOTE FOR THE APPROVAL OF THE ARTICLE FIRST AMENDMENT.**

The Company proposes to amend its amended and restated certificate of incorporation to revise Article First to change the name of the Company from FMG Acquisition Corp. to United Insurance Holdings Corp.

### **Article First of the Company s Amended and Restated Certificate of Incorporation Currently Reads As Follows:**

*First:* The name of the corporation is FMG Acquisition Corp. (the Corporation ).

### **If This Proposal is Approved By the Stockholders, Article First Will Read in Its Entirety As Follows:**

*First:* The name of the corporation is United Insurance Holdings Corp. (the Corporation ).

In the judgment of the Company s Board of Directors, the amendment to the Company s amended and restated certificate of incorporation to change the name of the Company is desirable. A copy of the amended and restated certificate of incorporation as it would be filed if the Merger Proposal and the First Amendment Proposal, the Second Amendment Proposal and the Third Amendment Proposal are approved is attached to this proxy statement/prospectus as Annex B.

### **Required Vote**

The approval of the Third Amendment Proposal requires the affirmative vote of holders of at least a majority of the outstanding shares of our common stock. Abstentions and broker non-votes, as well as failing to vote by not returning your proxy card, because they are not affirmative votes, will have the same effect as a vote against this proposal.

### **Recommendation**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THE STOCKHOLDERS VOTE FOR THE APPROVAL OF THE THIRD AMENDMENT PROPOSAL.**

### **Consequence if the Third Amendment Proposal is Not Approved**

If the charter amendment proposal described above is not approved by FMG s stockholders, FMG will not amend its amended and restated certificate of incorporation and the Merger will not be completed.

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## **PROPOSAL 5**

### **DIRECTOR PROPOSAL**

The Company s Board of Directors is currently divided into two classes, each of which generally serves for a term of two years, with only one class of directors being elected in each year. The term of office of the first class of directors,

consisting of Larry G. Swets, Jr. and James Zuhlke, will expire at our first annual meeting of stockholders. The term of office of the second class of directors, consisting of Gordon G. Pratt, Thomas Sargent and David E. Sturgess will expire at the second annual meeting. The Company's Board of Directors will continue to be so classified if the Merger is not approved. One of the closing conditions to the Merger is the election of three persons to the Board of Directors of the Company selected by United and, assuming such election, the resignation of Thomas Sargent and David E. Sturgess from the Board of Directors. As a result, the following three persons have been nominated as candidates for election to the Board of Directors: Gregory C. Branch, Alec L. Poitevint, II and Kent G. Whittemore. In the event these three directors are elected at the Special Meeting, they will hold office for a term expiring at the next annual meeting of stockholders. Each director serves from the date of his election until the end of his term and until his successor is elected and qualified. Two of the directors standing for election pursuant to the Director Proposal, Kent G. Whittemore and Alec L. Poitevint, II, are independent directors under the director independence standards of NASDAQ. Although we are not required to adopt director independence standards, in order to identify our directors and/or director-nominees who may qualify as independent directors, we have adopted the director independence standards of NASDAQ. We have no independent auditing, nominating or compensation committees but we expect to establish such committees as soon as practicable after the consummation of the Merger.

The election of the foregoing as directors is conditional upon approval of the Merger. There are not now, nor have there ever been, any other arrangements, agreements or understandings regarding the selection and nomination of the Company's directors. Unless authority is withheld, the proxies solicited by the Board of Directors will be voted FOR the election of these nominees. In case any of the nominees becomes unavailable for election to the Board of Directors, an event that is not anticipated, the persons named as proxies, or their substitutes, will have full discretion and authority to vote or refrain from voting for any other candidate in accordance with their judgment.

## Consequence if the Director Proposal is Not Approved

If any individual set forth above is not elected to serve as a director of the Company, the Merger will not be completed.

Assuming the election of the individuals set forth above, the Board of Directors and management positions of the Company following the Merger will be as follows:

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	62	Director

Assuming the Merger Proposal is approved, at the effective time of the Merger, FMG will wholly own United. Assuming the Merger is consummated, FMG or an affiliate has the right to nominate and cause the appointment and election of members to the board of managers of United.

## Information About Nominees

**Gregory C. Branch** has been the Chairman, Chief Executive Officer and a majority unitholder of United since its inception in 1999. He is also the owner of Branch Properties, Inc. and has been its Chairman and owner since 1986, which manufactures fertilizer materials specializing in equine feeds. Mr. Branch has served as the President of Branch Properties since 1986. Mr. Branch is also an owner of Seminole Stores, a family-owned retail outlet for farm and ranch supplies. Seminole Stores maintains 100 dealers in three states. Mr. Branch graduated from the University of Florida with a B.S. in Agriculture Economics and served at the rank of Captain in the U.S. Army. Mr. Branch served as Chairman of Summit Holding Southeast, Inc.; an insurance holding company that completed its initial public offering in 1997 and was acquired by Liberty Mutual in 1998. Mr. Branch is presently Chairman of Sunz Insurance Company, a Florida domiciled provider of workers compensation insurance and is a Director of Prime Holdings, Inc.; a private insurance holding company focused on excess and surplus lines products. Mr. Branch was an underwriting member of Lloyd's of London from 1986 through 2004.

**Gordon G. Pratt** has served as our Chairman of the Board of Directors, President and Chief Executive Officer since our inception. Mr. Pratt is Managing Director of Fund Management Group and Managing General Partner for Distribution Partners Investment Capital, L.P., which he co-founded in 1999. Fund Management Group specializes in managing investments in and providing advice to privately held insurance related businesses. Fund Management Group (i) manages Distribution Partners, (ii) makes direct private equity investments, and (iii) consults with privately-held companies and their boards of directors. Fund Management Group/Distribution Partners past and current portfolio companies include: Bertholon-Rowland Corp.; Calco Holdings Corporation; Distinguished Programs Holdings; Envoy Health; InsRisk Equity Fund, LP; Kibble & Prentice Holding Company; Pavlo, Weinberg & Associates; Reliant Pre-Pak, LLC; and Tri-City Holdings, Inc. Mr. Pratt is Chairman of the Board of Risk Enterprise Management Limited (national third-party property/casualty administrator), and a former director of Calco (California retail broker), Bertholon-Rowland (New York program manager), Kibble & Prentice (Seattle retail broker), and Tri-City Holdings (national wholesaler).

From July of 2004 through April of 2006, concurrently with his duties at Fund Management Group, Mr. Pratt also was Senior Vice President of Corporate Finance for Willis Group, the global insurance broker. At Willis he was in charge of the Group's acquisitions and divestitures worldwide. Prior to joining Willis in 2004, Mr. Pratt was an owner of Hales & Company, an investment banking firm serving the insurance industry. While at Hales, he helped to found Hales' New York office and launched Distribution Partners in 1999. Before joining Hales, he was a Senior Vice President, shareholder, and member of the operating committee of Conning & Company, which for more than 85 years focused on insurance investment, research, and asset management. At Conning, Mr. Pratt was involved in all aspects of forming, managing, and investing the Conning Funds, which at that time totaled more than \$430 million of private equity capital for investment in the insurance industry. He began his career at The Chase Manhattan Bank, N.A. in 1986. Mr. Pratt graduated with a B.A. in United States history from Cornell University (1984) and a Master of Management, Finance and Accounting from Northwestern University (1986).

During his career, Mr. Pratt has completed dozens of corporate finance advisory and investment transactions in the insurance industry. He began his career at The Chase Manhattan Bank, N.A. in 1986. While at Chase, among other duties, he co-invented a structured financial product for mutual insurance companies and expanded Chase's efforts in insurance mergers, acquisitions, and merchant banking. Mr. Pratt's clients included Kohlberg Kravis Roberts & Company, and he served as a lead senior debt underwriter for KKR's purchase of American Re-Insurance Company in 1992, at the time the largest-ever leveraged buyout of an insurance company. Later that year he joined Conning & Company, then a privately-held investment bank, asset manager, and research company focused on the insurance industry. During his career at Conning, Mr. Pratt was promoted to Senior Vice President and became a shareholder, private equity partner, and member of the operating committee. He was involved in all aspects of forming, managing, and investing the Conning Funds, which at that time totaled more than \$430 million of private equity capital for investment in the insurance industry. Mr. Pratt has served on the boards of directors for a number of insurance

businesses including: HealthRight, Inc. (managed care); Investors Insurance Holding Corp. (excess and surplus lines);  
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Guaranty Companies, Inc. (commercial lines); Sagamore Financial Corporation (impaired risk life); and Stockton Holdings Ltd., (finite risk). In 1999, Mr. Pratt joined Hales & Company, an investment bank serving insurance and insurance distribution businesses as a partner and shareholder. He helped to start Hales' s New York office and launched Distribution Partners Investment Capital, L.P., a private equity fund focused on insurance distribution businesses. In July of 2004, Mr. Pratt left Hales to join Willis Group where he served until April of 2006.

**Donald J. Cronin** is President and Chief Executive Officer of United' s wholly owned subsidiaries. Mr. Cronin joined United in 2001 as Vice President and was named President and Chief Executive Officer of United' s subsidiaries in November 2002. Mr. Cronin has 29 years experience in the property and casualty insurance business, most recently as Vice President of Marketing, Underwriting and Operations of United Agents Insurance Company of Louisiana. While in Louisiana, Mr. Cronin served on the advisory board of the School of Insurance at Louisiana State University. He has been actively involved with a number of insurance associations throughout his career.

**Nicholas W. Griffin** is Chief Financial Officer of United. Mr. Griffin has operated in this capacity with United since its inception in 1999. Mr. Griffin is responsible for the management and supervision of all of the finance and accounting activities for United' s insurance companies. Mr. Griffin also manages the in-house catastrophe models, dynamic financial analysis and capital allocation activities for United. Mr. Griffin received a B.S. in Accounting from the University of Florida, an M.B.A. from Stetson University and a Juris Doctorate from Stetson College of Law.

**Melvin A. Russell, Jr.** is Senior Vice President and Secretary of United. Mr. Russell joined United at its inception in 1999. He has 31 years experience in the property and casualty business, with over 18 years in the Florida insurance market. Much of his time in the industry has been spent in management; prior to that, he gained valuable experience doing production underwriting of large, complex commercial accounts in both Florida and New England for two large multi-line national carriers. Mr. Russell has a B.A. in English from Gordon College in Wenham, Massachusetts.

**Alec L. Poitevint, II** has served as a Director of United since 2001. He is the Chairman and President of Southeastern Minerals, Inc., and its affiliated companies headquartered in Bainbridge, Georgia. Mr. Poitevint joined Southeastern Minerals, Inc. in 1970. He currently also serves as Vice-Chairman and Director of First Port City Bank of Bainbridge. Mr. Poitevint also serves as Chairman of American Feed Industry Insurance Company and is past Chairman of American Feed Industry Association and National Feed Ingredients Association. Mr. Poitevint serves on the Republican National Committee (RNC) as Committeeman for Georgia and was the RNC Treasurer from 1997-2001.

**Larry G. Swets, Jr., CFA**, has served as our Chief Financial Officer, Executive Vice President, Secretary, Treasurer and a Director since our inception. Since June 2005, Mr. Swets has served as the Managing Director of Itasca Financial, LLC, an advisory firm to insurance companies and financial service firms whose clients include the insurance industry. In addition, Mr. Swets is Managing Director of InsRisk Partners, LLC, which he founded in early 2007. InsRisk manages private funds for investment in insurance-focused securities. Mr. Swets also serves as Acting Chief Financial Officer of Risk Enterprise Management Limited. Mr. Swets has been an insurance company executive and advisor, including serving as Director of Investments and Fixed Income Portfolio Manager for Kemper Insurance, a diversified mutual property-casualty insurance company, from June 1997 to May 2005. As Director, Mr. Swets oversaw Kemper' s relationships with banks and outside investment advisors; he also coordinated various treasury, cash management, and financial analysis functions. He served Kemper in evaluating business units, executing corporate transactions and divestitures, and by developing financial projections and analysis for the company during its runoff stage. Mr. Swets began his career in insurance as an intern in the Kemper Scholar program in 1994. He has taught

finance and investments as an adjunct professor at the College of Business, Valparaiso University. Mr. Swets holds a Bachelor's degree from Christ College, Valparaiso University, Summa Cum Laude (1997) and a Master's degree in Finance from De Paul University (1999). Mr. Swets holds the Chartered Financial Analyst designation and is a member of the CFA Society of Chicago and the CFA Institute.

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**Kent G. Whittemore** has served as a Director of United Property and Casualty Insurance Company, a wholly owned subsidiary of United, since 2001. He is the President and a shareholder of The Whittemore Law Group, P.A., located in St. Petersburg, Florida, a law firm he co-founded in 1987. Mr. Whittemore has served as President of both the St. Petersburg Bar Association and the Tampa Bay Trial Lawyers Association. He is also a former director of both the Academy of Florida Trial Lawyers and the Southern Trial Lawyers Association. He also served on St. Petersburg's Charter Review Commission. Mr. Whittemore received a B.S. in Business Administration from the University of Florida and a Juris Doctorate from Stetson College of Law.

**James R. Zuhlke** has been a member of our Board of Directors since our inception. Since June 2005, Mr. Zuhlke has served on the Board of Directors of Southern Eagle Insurance Company, a Florida based provider of workers compensation insurance. In addition, since February 2008, Mr. Zuhlke has served as Executive Vice President of Brooke Capital Corporation. From April 1998 until January 2004, he was President and Chief Executive Officer of Kingsway America Inc. and a director of its parent Kingsway Financial Services, Inc., an NYSE listed company specializing in providing personal and commercial lines of property and casualty insurance in the United States and Canada. During his tenure at Kingsway America, Mr. Zuhlke assisted in the acquisition of six insurance businesses and managed the integration and assimilation of their operations by strengthening planning, budgeting, financial reporting, underwriting, and claims handling disciplines. Under his leadership, Kingsway America reached \$1.0 billion in net premiums written in five years. In 1976, Mr. Zuhlke started his first insurance business, Washington International Insurance Company, and served as its President and Chief Executive Officer. In 1980, he co-founded insurance underwriting operations which in 1986 became Intercargo Corporation, a specialist in U.S. customs bonds and international freight insurance. At Intercargo, he was President and Chairman of the Board of Directors. Intercargo became a NASDAQ listed company in 1988 and ultimately was sold to XL Capital Ltd. in 1998. Mr. Zuhlke holds a Bachelor's degree (1968) and a Juris Doctor's degree (1971) from the University of Wisconsin. He is a member of the Wisconsin, Illinois and American Bar Associations.

## **Compliance With Section 16(a)**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and persons who own more than 10% of a registered class of our equity securities, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in beneficial ownership of common stock and other equity securities of ours. Directors, officers and greater than 10% stockholders are required by SEC regulations to furnish us with all Section 16(a) forms they file.

To our knowledge, based solely upon our review of the copies of such reports furnished to us, we believe all of our directors, officers and greater than 10% stockholders have complied with the applicable Section 16(a) reporting requirements in a timely fashion.

## **Board of Directors and Committees of the Board**

Our Board of Directors had five meetings during the period from our inception on May 22, 2007 to April 15, 2008 and



acted by unanimous written consent two times. Each member of the Board participated in all Board meetings held during the period for which he was a director. We have no independent auditing, nominating or compensation committees but we expect to establish such committees as soon as practicable after 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](http://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 provisions of our code of ethics in a Current Report on Form 8-K.

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## **Compensation Arrangements for Directors**

FMG Acquisition Corp.'s directors do not currently receive any cash compensation for their service as members of the Board of Directors. Upon consummation of the Merger, non-employee directors of the Company will receive varying levels of compensation for their services as directors, including additional amounts based on their eligibility as members of the Company's audit and compensation committees. The Company anticipates determining director compensation in accordance with industry practice and standards.

## **Executive Compensation**

### **FMG Acquisition Corp.**

No founding executive officer of the Company has received any cash or non-cash compensation for services rendered to the Company. Each founding executive officer has agreed not to take any compensation prior to the consummation of a business combination. However, the Company's executive officers are reimbursed for any out-of-pocket expenses incurred in connection with activities on the Company's behalf such as identifying potential merger partners and performing due diligence on suitable business combinations. As of June 30, 2008, an aggregate of \$20,372 has been reimbursed to them for such expenses.

### **United Insurance Holdings, L.C.**

#### **Summary Compensation Table**

The following table sets forth compensation information for each of our named executive officers during the years ended December 31, 2006 and 2007 who will become executive officers of the combined company following the Merger including: (i) the dollar value of base salary and bonus earned during each year; (ii) for awards of stock and awards of options, the dollar amount recognized for financial statement reporting purposes with respect to each year in accordance with Statement of Financial Accounting Standards (SFAS) No. 123R, Share-based Payments (SFAS 123(R)); (iii) the dollar value of earnings for services pursuant to awards granted during each year under non-equity incentive plans; (iv) the non-qualified deferred compensation earnings during each year; (v) all other compensation for each year; and (vi) the dollar value of total compensation for each year.

(1) Represents company match under 401(k) plan.

Amounts calculated utilizing the provisions of SFAS 123(R). The assumptions used in calculating these amounts (2) are incorporated herein by reference to Note 14 of United's 2007 audited consolidated financial statements contained herein.

### **Reallocation of Membership Units**

United's members' agreement, as amended, provides that the Board may issue up to 4,109 membership units to management and the Chairman of the Board (including convertible securities to acquire units, but as adjusted for any splits, dividends, combinations or recapitalizations or similar transactions), 3,323 of which were available for issuance as of December 31, 2007. Pursuant to this provision, for services performed, the Board granted 93 membership units and 197 membership units to Mr. Cronin in 2007 and 2006, respectively. Similarly, the Board granted 62 membership units and 132 membership units to Mr. Griffin in 2007 and 2006,

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respectively. These membership units were reallocated from outstanding membership units held by all United members, except one, pursuant to the terms of the members' agreement.

### **Bonus Awards**

Amounts included in column (d) in the Summary Compensation Table represent amounts paid in 2007 to each of United's named executive officers in accordance with our employee bonus program. Amounts awarded under the bonus program are a function of our financial and overall business performance as well as the employee's contribution to that performance as determined at the end of each fiscal year by our Board of Directors.

### **401(k) Profit Sharing Plan**

United adopted a tax-qualified profit sharing 401(k) plan that covers all employees that have completed 90 days of service, except for nonresident aliens with no U.S. source income. Pursuant to the 401(k) plan, participants may elect to make pre-tax contributions up to the lesser of 15% of compensation or the statutorily prescribed annual limit. The 401(k) also provides for employer matching contributions equal to 100% of the first 5% of compensation deferred into the plan. Contributions made by employees or by United to the 401(k) plan, and the income earned on plan contributions, are not taxable to employees until withdrawn from the 401(k) plan, and United can deduct the employees' contributions and its contributions, if any, for the fiscal year in which they are made.

## **Outstanding Equity Awards at Fiscal Year-End**

There were no unexercised equity awards as of December 31, 2007.

## **Director Compensation**

The following table sets forth information regarding the compensation received by each of our directors who will become directors of the combined company following the Merger during the year ended December 31, 2007:

Name (a)	Fees Earned or Paid in Cash (\$)(b)	Stock Awards (\$)(c)	Option Awards (\$)(d)	Non-Equity Incentive Plan Compensation (\$)(e)	Nonqualified Deferred Compensation Earnings (\$)(f)	All Other Compensation (\$)(g)	Total (\$)(h)
Gregory C. Branch	\$ 125,500 <sup>(1)</sup>		(2)(3)				\$ 125,500
Alec L. Poitevint	\$ 25,000 <sup>(1)</sup>						\$ 25,000
Kent G. Whittemore	\$ 24,250 <sup>(1)</sup>						\$ 24,250

(1) Mr. Branch was paid \$120,000 for serving as Chairman of the Board and Chief Executive Officer for the fiscal year ended December 31, 2007. Each of the other two directors set forth above received a retainer of \$20,000 for serving as board members. In addition, all three directors received a fee for each meeting attended in person or by phone, plus reimbursement of expenses.

(2) Pursuant to United's members agreement, as amended, the Chairman of the Board, Mr. Branch, received an option to purchase 5,454 membership units at a total exercise price of \$400,000. On January 1, 2007, Mr. Branch, exercised this option and purchased such membership units. There was no compensation cost to United in connection with this award in accordance with FAS 123(R).

(3) United's members agreement, as amended, provides that its Board of Managers has the discretion to grant to the Chairman of the Board an award of additional membership units or an option to purchase additional membership units in an amount, if granted, that shall be (1) no greater than the aggregate amount of membership units granted or, if option grants, issuable upon the exercise of options granted to all of United's other officers and managers, but (2) no less than the largest amount of membership units granted or, if option grants, issuable upon the exercise of options granted to any single United officer or manager. Any such grant of membership units or any option award granted pursuant to the foregoing provision shall be on the same terms and conditions as the awards granted to other officers and managers, provided that the Chairman shall have twelve months from the date the officers and managers exercise their option awards to exercise his option award. On January 1, 2007, United granted to the Chairman of the Board, Mr. Branch, an option to purchase 258 membership units, an amount equal to the aggregate number of

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membership units granted by United to its other officers and managers, at an exercise price of \$242 per unit. Mr. Branch exercised the entire option. There was no compensation cost to United in connection with this award in accordance with FAS 123(R). The completion of the Merger will result in the termination of any option provisions contained in the United members agreement, as amended. Any unexercised options held by the Chairman at the time of the Merger must be waived as a condition to closing the Merger.

### **Benchmarking of Cash and Equity Compensation**

The Company believes it is important when making compensation-related decisions to be informed as to current practices of similarly situated publicly held companies in the insurance industry. The Company expects the compensation committee will stay apprised of the cash and equity compensation practices of publicly held companies in the insurance industry through the review of such companies' public reports and through other resources. It is expected any companies chosen for inclusion in any benchmarking group would have business characteristics comparable to the Company, including revenues, financial growth metrics, stage of development, employee headcount and market capitalization. While benchmarking may not always be appropriate as a stand-alone tool for setting compensation due to the aspects of the Company post-acquisition business and objectives that may be unique to the Company, the Company generally believes gathering this information will be an important part of its compensation-related decision-making process.

## Compensation Components

*Base Salary.* Generally, the Company, working with the compensation committee, anticipates setting executive base salaries at levels comparable with those of executives in similar positions and with similar responsibilities at comparable companies. The Company will seek to maintain base salary amounts at or near the industry norms while avoiding paying amounts in excess of what the Company believes is necessary to motivate executives to meet corporate goals. It is anticipated base salaries will generally be reviewed annually, subject to terms of employment agreements, and that the compensation committee and board will seek to adjust base salary amounts to realign such salaries with industry norms after taking into account individual responsibilities, performance and experience.

*Annual Bonuses.* The Company intends to design and utilize cash incentive bonuses for executives to focus them on achieving key operational and financial objectives within a yearly time horizon. Near the beginning of each year, the board, upon the recommendation of the compensation committee and subject to any applicable employment agreements, will determine performance parameters for appropriate executives. At the end of each year, the board and compensation committee will determine the level of achievement for each corporate goal.

The Company will structure cash incentive bonus compensation so that it is taxable to its employees at the time it becomes available to them. At this time, it is not anticipated that any executive officer's annual cash compensation will exceed \$1 million, and the Company has accordingly not made any plans to qualify for any compensation deductions under Section 162(m) of the Internal Revenue Code.

*Equity Awards.* The Company also may use stock options and other stock-based awards to reward long-term performance. The Company believes providing a meaningful portion of its executives' total compensation package in stock options and other stock-based awards will align the incentives of its executives with the interests of the Company's stockholders and with the Company's long-term success. The compensation committee and board will develop their equity award determinations based on their judgments as to whether the complete compensation packages provided to the Company's executives, including prior equity awards, are sufficient to retain, motivate and adequately award the executives.

*Other Compensation.* The Company will establish and maintain various employee benefit plans, including medical, dental, life insurance and 401(k) plans. These plans will be available to all salaried employees and will not discriminate in favor of executive officers. The Company may extend other perquisites to its executives that are not available to our employees generally.

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## Certain Relationships and Related Party Transactions of FMG

On May 22, 2007, we issued 1,125,000 shares of our common stock to certain affiliates listed below for an aggregate amount of \$25,000 in cash, at a purchase price of approximately \$0.022 per share.

Name	Number of Shares	Relationship to Us
FMG Investors LLC	1,045,000	Sponsor. Gordon Pratt and Larry G. Swets, Jr. are the managing members of FMG Investors LLC.
Thomas D. Sargent	20,000	Director
David E. Sturgess	20,000	Director

James R. Zuhlke	20,000	Director
John Petry	20,000	Special Advisor

Effective August 13, 2007, our Board of Directors authorized a forward stock split in the form of a stock dividend of 0.15 shares of common stock for each outstanding share of common stock, effectively lowering the purchase price to approximately \$0.019 per share.

Upon consummation of the IPO, the Company's initial stockholders, who owned 100% of the Company's issued and outstanding common stock prior to the IPO, 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 their over-allotment option; effectively raising the purchase price to approximately \$0.021 per share. Such ownership interests were adjusted upon consummation of the IPO 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). Because of this ownership block, these stockholders may be able to effectively influence the outcome of all matters requiring approval by our stockholders, including the election of directors and approval of significant corporate transactions other than approval of a business combination.

Our sponsor, prior to our IPO, purchased in a private placement transaction pursuant to Regulation D under the Securities Act, a total of 1,250,000 warrants from us at a price of \$1.00 per warrant. These warrants will not be sold or transferred by the purchaser who initially purchases these warrants until the completion of our initial business combination. The \$1,250,000 purchase price of the sponsor warrants have been added to the proceeds of the IPO being held in the trust account pending our completion of a business combination. If we do not complete one or more business combinations, the \$1,250,000 purchase price of the sponsor warrants will become part of the liquidation amount distributed to our public stockholders from our trust account and the sponsor warrants will become worthless.

Our sponsor, FMG Investors LLC, an entity owned by each of Gordon G. Pratt, our President, Chairman and CEO, and Larry Swets, Jr., our Chief Financial Officer and Secretary, has agreed to forfeit up to 212,877 shares of common stock and an equal number of warrants, as set forth more particularly herein, in connection with the Merger.

The holders of a majority of all of (i) the shares of common stock owned or held by the founding stockholders and (ii) the shares of common stock issuable upon exercise of the sponsor warrants will be entitled to make up to two demands that we register these securities pursuant to an agreement signed prior to the effective date of the registration statement. 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.

Because the sponsor warrants sold in the Regulation D private placement were originally issued pursuant to an exemption from registration requirements under the federal securities laws, the holders of these warrants will be 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. Our founder securities will become freely tradable only after they are registered.

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Our officers and directors lent an aggregate of \$100,000 to us as of the effective date of the registration statement to cover expenses related to the IPO, such as SEC registration fees, NASD registration fees, listing fees and legal and accounting fees and expenses. The loan has been repaid without interest from the proceeds of the IPO not placed in trust.

We will reimburse our officers and directors, subject to board approval, for any reasonable out-of-pocket business expenses incurred by them in connection with certain activities on our behalf such as identifying and investigating possible merger partners and business combinations. There is no limit on the amount of out-of-pocket expenses reimbursable by us, which will be reviewed only by our board or a court of competent jurisdiction if such reimbursement is challenged. Accountable out-of-pocket expenses incurred by our officers and directors will not be repaid out of proceeds held in trust until these proceeds are released to us upon the completion of a business combination, provided there are sufficient funds available for reimbursement after such consummation.

Other than the reimbursable out-of-pocket expenses payable to our officers and directors, no compensation or fees of any kind, including finders, consulting fees or other similar compensation, will be paid to any of our founding stockholders, officers or directors who owned our common stock prior to this offering, or to any of their respective affiliates prior to or with respect to a business combination.

Our founding stockholders will not receive reimbursement for any out-of-pocket expenses incurred by them to the extent that such expenses exceed the amount used for working capital purposes unless the business combination is consummated and there are sufficient funds available for reimbursement after such consummation. The financial interest of such persons could influence their motivation in selecting a merger partner and thus, there may be a conflict of interest when determining whether a particular business combination is in the stockholders' best interest.

After the consummation of a business combination, if any, to the extent our management remains as officers of the resulting business, some of our officers and directors may enter into employment agreements, the terms of which shall be negotiated and which we expect to be comparable to employment agreements with other similarly-situated companies in the insurance industry. Further, after the consummation of a business combination, if any, to the extent our directors remain as directors of the resulting business, we anticipate they will receive compensation comparable to directors at other similarly-situated companies in the insurance industry.

All ongoing and future transactions between us and any of our officers and directors or their respective affiliates, including loans by our officers and directors, will be on terms believed by us to be no less favorable than are available from unaffiliated third parties. Such transactions or loans, including any forgiveness of loans, will require prior approval by a majority of our disinterested independent directors or the members of our board who do not have an interest in the transaction, in either case who had access, at our expense, to our attorneys or independent legal counsel. We will not enter into any such transaction unless our disinterested independent directors determine that the terms of such transaction are no less favorable to us than those that would be available to us with respect to such a transaction from unaffiliated third parties.

## **Certain Relationships and Related Party Transactions of United**

The following is a summary of transactions, and series of related transactions, since January 1, 2006 to which United has been a participant, in which the amount involved exceeded the lesser of \$120,000 or one percent of the average of United's total assets at year end for the last two completed fiscal years and in which any of United's executive officers, directors, beneficial holders of more than 5% of its membership units or the immediate family members of such officers, directors, and beneficial holders had or will have a direct or indirect material interest, other than compensation arrangements which are described under the section of this proxy statement/prospectus entitled *United Executive and Director Compensation* and compensation to our officers and directors for service as such.

Mark Berset, a member of United's Board of Managers and a holder of United membership units and Linda Berset, a holder of United membership units, own insurance agencies that have agency contracts with, and write business on behalf of, UPCIC. Mr. and Mrs. Berset are the sole owners of these insurance agencies. The amount of premium revenues to United from insurance policies written by these agencies for the fiscal

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years ended December 31, 2006 and 2007 were approximately \$7.9 million and \$9.2 million, respectively. Mr. and Mrs. Berset received commissions and board fees of approximately \$0.6 million and \$0.8 million for the fiscal years ended December 31, 2006 and 2007, respectively, which amounts include \$12,500 and \$30,000 paid to Mr. Berset in fiscal 2006 and 2007, respectively, as compensation for serving on United's board of managers.

United and Columbus Bank and Trust Company ( CB&T ) entered into a Loan Agreement dated February 8, 2007 in which CB&T loaned \$33 million to United (the Loan Agreement ). CB&T is an affiliate of Synovus Financial Corporation ( Synovus ), which is the beneficial owner of 17% of United's outstanding membership units. The related promissory note bears interest at an annual rate of 400 basis points above the 30- Day LIBOR, which fluctuates when money rates change, with all interest and principal due by February 20, 2010. Pursuant to the Loan Agreement, United made payments totaling approximately \$9.2 million in principal and interest of \$2.3 million during the year ended December 31, 2007. In addition to the indebtedness under the Loan Agreement, United maintains deposit account arrangements and bank accounts with Synovus and its affiliates. On March 13, 2008, United 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 million to \$13 million with no future payments into investment accounts required. The interest rate was decreased from 400 to 300 basis points above LIBOR. The amended Loan Agreement also provides for the potential return of up to \$3 million of escrow funds in the event there is no material storm activity as of November 2008. On May 27, 2008, United and CB&T agreed to modify the Loan Agreement to allow United to utilize the \$13 million that was 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. On August 11, 2008, we entered into a Second Amendment to the loan agreement with CB&T. The Second Amendment calls for principal payments to cease after the July 2008 installment and recommence with the April 2009 installment. During the period from August 1, 2008 through April 1, 2009, interest only payments will be made to CB&T. On August 13, 2008, CB&T waived the debt covenant related to maintenance of a minimum debt service coverage ratio of at least 2:1 on a quarterly basis. This covenant will not be reinstated until January 1, 2009 and will continue to be measured quarterly.

United entered into an amended letter agreement with Raymond James & Associates ( Raymond James ) in their role as United's external investment banking advisor. The amended agreement was effective March 5, 2008 and remains in effect until consummation of a transaction. One of United's Board of Managers and a holder of United membership units is employed at Raymond James. Under the terms of the amended agreement, Raymond James receives a cash transaction fee from United of \$400,000 plus 2% of the consideration received above \$20 million. Upon execution of a definitive agreement of the transaction, United shall pay \$300,000 which shall be credited against the balance of the transaction fee. The balance of transaction fee of \$400,000 shall be paid at such time that such consideration is paid or received by United.

United 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 United'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 United at December 31, 2007 and 18% at December 31, 2006, respectively. United's subsidiaries incurred combined fees under the agreement of \$96,000, \$115,000 and \$97,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

United believes the terms obtained or consideration it paid or received, as applicable, in connection with the transactions described above was comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions. United does not currently have a formal policy with respect to transactions with related persons.

TABLE OF CONTENTS**Required Vote**

The election of each nominee for director requires the affirmative vote of the holders of a plurality of the shares of common stock cast in the election of directors. Three directors have been nominated by the Board of Directors to serve as Directors. The Board of Directors recommends that Messrs. Greg C. Branch, Alec L. Poitevint, II and Kent G. Whittemore be elected to serve as directors of the Company following consummation of the Merger (Director Proposal). Proxies received by the Company will be voted **FOR** the election of these three Directors, unless marked to the contrary. A stockholder who desires to withhold voting of the proxy for all or one or more of the nominees may so indicate on the proxy.

**Recommendation**

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS OUR STOCKHOLDERS VOTE FOR THE ELECTION OF MESSRS. GREGORY C. BRANCH, ALEC POITEVINT, II AND KENT G. WHITTEMORE AS CLASS B DIRECTORS (DIRECTOR PROPOSAL).**

TABLE OF CONTENTS**PROPOSAL 6****THE ADJOURNMENT PROPOSAL**

The adjournment proposal allows the Company's Board of Directors to submit a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event, based on the tabulated votes, there are not sufficient votes at the time of the Special Meeting to approve the Merger.

Prior to the record date for this Special Meeting, the officers, directors or affiliates of the Company may purchase outstanding securities of the Company in open market transactions and the shares so acquired would be voted in favor of the Merger.

In the event an adjournment proposal is presented at the Special Meeting and approved by the stockholders, the officers, directors or affiliates of the Company may, during such adjournment period, make investor presentations telephonically and/or in person to investors who have indicated their intent to vote against the Merger Proposal. Such investor presentations would be informational only, and would be filed publicly on Current Report on Form 8-K prior to or concurrently with presentation to any third party. The Company will not conduct any such activities in violation of applicable federal securities laws, rules or regulations.

**Consequences if Adjournment Proposal is Not Approved**



If an adjournment proposal is presented at the Special Meeting and is not approved by the stockholders, the Company's Board of Directors may not be able to adjourn the Special Meeting to a later date in the event, based on the tabulated votes, there are not sufficient votes at the time of the Special Meeting to approve the consummation of Merger. In such event, the Company will be required to liquidate assuming it is not able to consummate another business combination by October 4, 2009.

## Required Vote

Adoption of the adjournment proposal requires the affirmative vote of a majority of the issued and outstanding shares of the Company's common stock voting in person or by proxy at the meeting. If the Merger Proposal is approved and fewer than 29.99% of the stockholders exercise their conversion rights, then there would be no need for the adjournment proposal.

## Recommendation

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS OUR STOCKHOLDERS VOTE FOR THE APPROVAL OF AN ADJOURNMENT PROPOSAL.**

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## UNITED MEMBER APPROVAL

As of June 30, 2008, there were 100,000 United membership units issued and outstanding. The holders of these membership units are entitled to one vote per unit on all matters to be voted upon by the members. In accordance with Florida law, the affirmative vote of a majority of the units represented and voting at a duly held meeting at which a quorum is present (which units voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the members, except that approval of certain business transactions, including the Merger, requires the affirmative vote of 66% of the units issued and outstanding.

The managers and officers of United, presently, together with their affiliates, own an aggregate of approximately 59% of United's outstanding membership units, all of which are entitled to vote on the Merger. Approval of the Merger Proposal will require the affirmative vote of not less than 66% of all membership units outstanding, which means United needs only an additional 7% of the aggregate outstanding membership units in order to approve the Merger, provided that the current managers and officers of United vote to approve the Merger Proposal.

United is not soliciting proxies for approval of the Merger at this time, however, in accordance with Florida law, United does intend to solicit written consents from its members in favor of the Merger and the Merger Agreement.

Under Florida Statute 608.4352 of the Florida Limited Liability Company Act (the "FLLCA"), the members of United will be entitled to dissent from the Merger and obtain cash payment for the fair value of their membership units instead of the consideration provided for in the Merger Proposal. United will send notice pursuant to Florida Statute 608.4354 to its members who are entitled to appraisal rights when United solicits its members' consent to the Merger Proposal. Pursuant to Florida Statute 608.4355, a member who is entitled to and who wishes to assert appraisal rights: (a) must deliver to a manager or managing member of United within 20 days after receiving the notice pursuant to Florida Statute 608.4354(3), written notice of such person's intent to demand payment if the proposed Merger is effectuated, and (b) must not vote, or cause or permit to be voted, any membership interests in favor of the Merger. If the proposed Merger is effectuated, United will deliver a written appraisal notice and form to all members who

satisfied the requirements of Florida Statute 608.4355.

If the Merger is completed, a holder of record of United membership units on the date of making a demand for appraisal, will be entitled to either accept payment from United equaling United's estimated fair value for the membership units, or have the membership units appraised by a Florida court under Florida Statute 608.43585. To be eligible to receive this payment, however, a United member must:

be a member on the record date established by United's Board;  
continue to hold the membership units through the time of the Merger; and  
strictly comply with the procedures set forth under Florida Statute 608.4357.

This summary does not constitute any legal or other advice, nor does it constitute a recommendation that United members exercise their right to appraisal under Florida Statute 608.4352. The following summary is not a complete statement of the members' appraisal rights under the FLLCA, and is qualified in its entirety by reference to Florida Statute 608.4352 and the other appraisal statutes under the FLLCA. The statutory right of appraisal granted by the FLLCA requires strict compliance with the procedures in Florida Statute 608.4357. Failure to follow any of these procedures may result in a termination or waiver of dissenters' rights under the FLLCA.

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## **INFORMATION ABOUT THE INSURANCE INDUSTRY**

### **Nature of the Insurance Industry**

Factors affecting the sectors of the insurance industry in which United operates may subject the Company to significant fluctuations in operating results. These factors include competition, catastrophe losses and general economic conditions including interest rate changes, as well as legislative initiatives, the regulatory environment, the frequency of litigation, the size of judgments, severe weather conditions, climate changes or cycles, the role of federal or state government in the insurance market, judicial or other authoritative interpretations of laws and policies, and the availability and cost of reinsurance. Specifically, the homeowners' insurance market, which comprises the bulk of the Company's current operations, is influenced by many factors, including state and federal laws, market conditions for homeowners' insurance and residential plans. Additionally, an economic downturn could result in fewer home sales and less demand for new homeowners seeking insurance.

Historically, the financial performance of the property and casualty insurance industry has tended to fluctuate in cyclical patterns of soft markets followed by hard markets. Although an individual insurance company's financial performance is dependent on its own specific business characteristics, the profitability of most property and casualty insurance companies tends to follow this cyclical market pattern.

### **Government Regulation**

Florida insurance companies are subject to regulation and supervision by the OIR. The OIR has broad regulatory, supervisory and administrative powers. Such powers relate, among other things, to the granting and revocation of licenses to transact business, the licensing of agents (through the Florida Department of Financial Services), the standards of solvency to be met and maintained, the nature of, and limitations on, investments, the approval of policy forms and rates, the review of reinsurance contracts, the periodic examination of the affairs of insurance companies, and the form and content of required financial statements. Such regulation and supervision are primarily for the benefit and protection of policyholders and not for the benefit of investors.

In addition, the Florida legislature and the NAIC from time to time consider proposals that may affect, among other things, regulatory assessments and reserve requirements. The Company cannot predict the effect that any proposed or future legislation or regulatory or administrative initiatives may have on the financial condition or operations of the Company. Any action by the OIR could have a material adverse effect on the Company.

The Company will become subject to other states' laws and regulations if it seeks authority to transact business in states other than Florida.

## Competition

The insurance industry is highly competitive and many companies currently write homeowners' property and casualty insurance. Additionally, the Company and its subsidiaries must compete with companies that have greater capital resources and longer operating histories. Increased competition from other private insurance companies as well as Citizens could adversely affect the Company's ability to do business profitably. Although the Company's pricing is inevitably influenced to some degree by that of its competitors, management of the Company believes that it is generally not in the Company's best interest to compete solely on price, choosing instead to compete on the basis of underwriting criteria, its distribution network and high quality service to its agents and insureds. Increased competition could have a material adverse effect on the Company.

## Financial Stability Rating

Financial stability ratings are an important factor in establishing the competitive position of insurance companies and may impact an insurance company's sales. Demotech, Inc. maintains a letter scale financial stability rating system ranging from A\*\* (A double prime) to L (licensed by state regulatory authorities). Demotech, Inc. has assigned UPCIC a financial stability rating of A, which is the third highest of six rating levels. According to Demotech, Inc., A ratings are assigned to insurers that have exceptional ability to maintain liquidity of invested assets, quality reinsurance, acceptable financial leverage and realistic pricing while

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simultaneously establishing loss and loss adjustment expense reserves at reasonable levels. With a financial stability rating of A, United expects that UPCIC's property insurance policies will be acceptable to the secondary mortgage marketplace and mortgage lenders. The rating of UPCIC is subject to at least annual review by, and may be revised downward or revoked at the sole discretion of, Demotech, Inc.

UPCIC's failure to maintain a commercially acceptable financial stability rating could have a material adverse effect on United's ability to retain and attract policyholders and agents. Many of United's competitors have ratings higher than that of UPCIC. A downgrade in the financial stability rating of UPCIC could have a material adverse impact on its ability to effectively compete with other insurers with higher ratings. Additionally, a withdrawal of the rating could cause UPCIC's insurance policies to no longer be acceptable to the secondary marketplace and mortgage lenders, which could cause a material adverse effect of United's results of operations and financial position.

Demotech, Inc. bases its ratings on factors that concern policyholders and not upon factors concerning investor protection. Such ratings are subject to change and are not recommendations to buy, sell, or hold securities.

## Regulation

Upon consummation of the Merger, the Company will be subject to the laws and regulations in Florida and regulations of any other states in which we seek to conduct business in the future. The regulations cover all aspects of our business and are generally designed to protect the interests of insurance policyholders, as opposed to the interests of shareholders. Such regulations relate to authorized lines of business, capital and surplus requirements, allowable rates and forms, investment parameters, underwriting limitations, transactions with affiliates, dividend limitations, changes in control, market conduct, maximum amount allowable for premium financing service charges and a variety of other financial and non-financial components of our business. Our failure to comply with certain provisions of applicable insurance laws and regulations could have a material adverse effect on our business, results of operations or financial condition. In addition, any changes in such laws and regulations, including the adoption of consumer initiatives regarding rates charged for coverage, could materially and adversely affect our operations or our ability to expand.

A recent example of such consumer initiatives may be found with Florida's property insurers operating under a new emergency rule which require existing premium rates as of January 25, 2007, to remain in effect until a rate filing reflecting the provisions as provided in Florida's newly enacted property insurance legislation. The legislation, among other things, provided low cost reinsurance to member insurance companies, accelerated rate filings to reflect the reduced reinsurance costs and expanded the role of Citizens in the market place. Other provisions contained in the emergency rule prevent non-renewals and cancellation (except for material misrepresentation and non-payment of premium) and new restrictions on coverage are prohibited. We are aware of the continued financial challenges that face the State of Florida in connection with the current consumer initiatives. The consumer initiatives stem from the catastrophic hurricanes during 2004 and 2005. The financial challenges have affected our business, results of operations and financial condition in the past and there can be no assurance they will not affect business, results of operations and financial condition in the future. We are unaware of any other jurisdictions with similar consumer initiatives that could have a material adverse effect on our business, results of operations or financial condition.

Most states have also enacted laws which restrict an insurer's underwriting discretion, such as the ability to terminate policies, terminate agents or reject insurance coverage applications, and many state regulators have the power to reduce, or to disallow increases, in premium rates. These laws may adversely affect the ability of an insurer to earn a profit on its underwriting operations.

Most states also have insurance laws requiring that rate schedules and other information be filed with the state's insurance regulatory authority, either directly or through a rating organization with which the insurer is affiliated. The regulatory authority may disapprove a rate filing if it finds that the rates are inadequate, excessive or unfairly discriminatory. Rates, which are not necessarily uniform for all insurers, vary by class of business, hazard covered, and size of risk. Certain states have recently adopted laws or are considering proposed legislation which, among other things, limit the ability of insurance companies to effect rate increases or to cancel, reduce or non-renew insurance coverage with respect to existing policies, particularly personal automobile insurance. As discussed above, the recent consumer initiatives with Florida's property insurers

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demonstrate the state's ability to adopt such laws. Also, the Florida legislature may adopt additional laws of this type in the future, which may adversely affect the Company's business.

Most states require licensure or regulatory approval prior to the marketing of new insurance products. Typically, licensure review is comprehensive and includes a review of a company's business plan, solvency, reinsurance,

character of its officers and directors, rates, forms and other financial and non-financial aspects of a company. The regulatory authorities may prohibit entry into a new market by not granting a license or by withholding approval.

All insurance companies must file quarterly and annual statements with certain regulatory agencies and are subject to regular and special examinations by those agencies.

## **Restrictions in Payments of Dividends By Domestic Insurance Companies**

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) 10.0% of its capital surplus or (b) net income, not including realized capital gains, plus a two-year carryforward, (ii) 10.0% of capital surplus with dividends payable constrained to unassigned funds minus 25% of unrealized capital gains or (iii) the lesser of (a) 10.0% of capital surplus or (b) net investment income plus a three-year carryforward with dividends payable constrained to unassigned funds minus 25.0% 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) 10.0% 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 immediately preceding calendar year, (ii) the insurer will have policy holder capital surplus equal to or exceeding 115.0% 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% 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.

While the non-insurance company subsidiaries (managing general agencies and other affiliates) are not subject directly to the dividend and other distribution limitations, insurance holding company regulations govern the amount that any affiliate within the holding company system may charge any of the insurance companies for service (e.g., management fees and commissions).

## **NAIC Risk Based Capital Requirements**

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 UPCIC to cease operations in the event they fail to maintain the required statutory capital.

## Insurance Holding Company Regulation

Following consummation of the Merger, we will be subject to laws governing insurance holding companies in Florida. These laws, among other things, (i) require us to file periodic information with the Florida OIR, including information concerning our capital structure, ownership, financial condition and general business operations, (ii) regulate certain transactions between us and our affiliates, including the amount of

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dividends and other distributions and the terms of surplus notes and (iii) restrict the ability of any one person to acquire certain levels of our voting securities without prior regulatory approval. Any purchaser of 5% or more of the outstanding shares of our Common Stock could be presumed to have acquired control of the Company unless the Florida OIR, upon application, determines otherwise.

## Underwriting and Marketing Restrictions

During the past several years, various regulatory and legislative bodies have adopted or proposed new laws or regulations to address the cyclical nature of the insurance industry, catastrophic events and insurance capacity and pricing. These regulations include (i) the creation of market assistance plans under which insurers are induced to provide certain coverages, (ii) restrictions on the ability of insurers to rescind or otherwise cancel certain policies in mid-term, (iii) advance notice requirements or limitations imposed for certain policy non-renewals and (iv) limitations upon or decreases in rates permitted to be charged.

## Legislation

From time to time, new regulations and legislation are proposed to limit damage awards, to control plaintiffs' counsel fees, to bring the industry under regulation by the Federal government, to control premiums, policy terminations and other policy terms and to impose new taxes and assessments. It is not possible to predict whether, in what form or in what jurisdictions, any of these proposals might be adopted, or the effect, if any, on us.

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. Additionally, the Board of Directors of the Florida Insurance Guaranty Association 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 seasons. Additional assessments by regulatory agencies are possible though not quantifiable at this time.

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## INFORMATION ABOUT FMG ACQUISITION CORP.

## General

We were incorporated in Delaware on May 22, 2007 as a blank check company formed specifically as a vehicle to effect a merger, acquisition or similar business combination with one or more businesses in the insurance industry whose fair market value is at least equal to 80% of our net assets at the time of such business combination.

A registration statement for our IPO was declared effective on October 4, 2007. On October 11, 2007, we consummated our IPO of 4,733,625 units. Each unit consists of one share of common stock and one redeemable common stock purchase warrant. Each warrant entitles the holder to purchase from us one share of our common stock at an exercise price of \$6.00 per share. Our common stock and warrants started trading separately as of November 7, 2007.

Gross proceeds from the sale of units in our IPO and the concurrent private placement to our founders were approximately \$39,119,000. Of this amount, \$37,452,930 was deposited in trust and \$143,207 was held outside of the trust. The proceeds held outside the trust are available to be used by us, and are being used by us, to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. We evaluated a number of candidates before moving forward with United. If the Merger is not consummated, it is possible, though unlikely, we will lack sufficient time or resources to continue searching for an alternative merger partner.

## Employees

We have two officers, both of which are also founders and members of our Board of Directors. The founders do not receive compensation and are not obligated to contribute any specific number of hours per week and intend to devote only as much time as they deem necessary to our affairs. We do not have any full time employees who provide administrative support services.

## Properties

We maintain our principal executive offices at Four Forest Park, Second Floor, Farmington, Connecticut 06032. We currently pay Fund Management Group LLC, an affiliate of our sponsor, an aggregate fee of \$7,500 per month under a lease with a 24 month term which commenced October 4, 2007, which includes the cost of the office space and the cost of other general and administrative services provided to us by Fund Management Group LLC.

Fund Management Group LLC is an entity of which Gordon G. Pratt, our President, Chief Executive Officer and Chairman and Larry G. Swets, Jr., our Chief Financial Officer, Secretary, Treasurer and director, are managing members. We consider our current office space, combined with the other office space otherwise available to our executive officers, adequate for our current operations.

## Periodic Reporting and Audited Financial Statements

The Company has registered its securities under the Securities Exchange Act of 1934, as amended, and has reporting obligations, including the requirement to file annual and quarterly reports with the SEC. In accordance with the requirements of the Securities Exchange Act of 1934, as amended, the Company's annual reports will contain financial statements audited and reported on by the Company's independent accountants. We have filed a Report on Form 10-K with the SEC covering our fiscal year ended December 31, 2007.

## Legal Proceedings

To the knowledge of management, there is no litigation currently pending or contemplated against us or any of our officers or directors in their capacity as such.

## Independent Public Accountants

Rothstein, Kass & Company, P.C. ( RKCO ) served as our independent certified public accountants to audit and review our financial statements for the fiscal year ended December 31, 2007 and the fiscal quarters ended March 31, 2008 and June 30, 2008 respectively.

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A representative of RKCO will be present at the Special Meeting, will have the opportunity to make a statement if he or she desires and will be available to respond to appropriate questions from stockholders.

During the period from May 22, 2007 (inception) through June 30, 2008, RKCO was our principal accountant. RKCO manages and supervises the audit and audit staff, and is exclusively responsible for the opinion rendered in connection with its examination. The following is a summary of fees paid or to be paid to RKCO for services rendered.

## Audit Fees

The aggregate fees billed by RKCO for professional services rendered for the audit and review of our financial statements from the date of our inception through June 30, 2008, and for services performed in connection with the Company's registration statement on Form S-1 filed in 2007, were approximately \$112,000.

## Audit-Related Fees

Other than the fees described under the caption, Audit Fees above, RKCO did not bill any fees for services rendered to us during the period from May 22, 2007 (inception) through June 30, 2008 for assurance and related services in connection with the audit or review of our financial statements.

## Tax Fees

The aggregate fees billed by RKCO for professional services rendered for the preparation of tax returns from the date of our inception through June 30, 2008 were approximately \$2,400.

## All Other Fees

There were no fees billed by RKCO for professional services other than audit services and audit-related services rendered from the date of our inception through June 30, 2008.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF FMG ACQUISITION CORP.

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those which are not within our control.*

## Overview

We were formed on May 22, 2007, for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition or other similar business combination, an operating business in the insurance industry. Our initial business combination must be with a business whose fair market value is at least equal to 80% of our net assets at the time of such acquisition. We intend to use cash derived from the proceeds of our IPO and concurrent private placement, our capital stock, debt or a combination of cash, capital stock and debt, to effect such business combination. Pursuant to our amended and restated certificate of incorporation, we have until October 4, 2009 to complete a business combination or we will be subject to liquidation.

Significant financing activities since our inception include the following:

On May 22, 2007, we issued 1,125,000 shares of our common stock to our founding stockholders for an aggregate amount of \$25,000 in cash, at a purchase price of approximately \$0.022 per share.

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 the cessation of our corporate existence on October 4, 2009. The revolving line of credit is non-interest bearing.

On October 11, 2007, we entered into an agreement with our sponsor for the sale of 1,250,000 warrants in a private placement. Each warrant entitles the holder to purchase from us one share of our common stock on a cashless basis. The warrants were sold at a price of \$1.00 per warrant, generating net proceeds of \$1,250,000.

On October 11, 2007, we consummated our IPO of 4,733,625 Units, including 233,625 Units subject to the over-allotment option. Each unit consists of one share of common stock and one warrant. Each warrant entitles the holder to purchase from us one share of our common stock at an exercise price of \$6.00. The gross proceeds from our offering were \$39,119,100 (including the over-allotment option and warrants sold privately). We paid a total of \$1,136,070 in underwriting discounts and commissions, and approximately \$386,793 was paid for costs and expenses related to the offering. After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us from the offering were approximately \$37,596,237, of which \$37,452,930 was deposited into the trust account (or approximately \$7.91 per share).

## Developments in Finding a Suitable Business Combination

On April 2, 2008, the Company entered into an Agreement and Plan of Merger (the Merger Agreement) pursuant to which United Subsidiary 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 (the Merger). The Merger Agreement was amended and restated in its entirety on August 15, 2008. 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 units of United in a series of steps as outlined below.

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

FMG will create a transitory merger subsidiary, United Subsidiary Corp., and will merge such subsidiary with and into United, with United surviving; and

United will, as a result, become wholly-owned by FMG.

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United's members will receive consideration from FMG for their membership units of up to \$104,316,270 consisting of:

\$25,000,000 in cash;

8,750,000 shares of FMG common stock, par value \$.0001 per share (assuming an \$8.00 per share value); up to \$5,000,000 of additional consideration which will be paid to the members of United in the event certain net income targets are met by United, as set forth more particularly herein;

1,093,750 newly issued common stock purchase warrants identical in all respects to the warrants issued in the Company's IPO;

up to an additional 212,877 newly issued common stock purchase warrants identical in all respects to the warrants issued in the Company's IPO; and

up to an additional 212,877 shares of FMG common stock.

In order to consummate the Merger, a majority of the shares issued in the IPO voting at the meeting (whether in person or by proxy) must vote to approve and adopt the Merger Agreement and the transactions contemplated thereby.

Also, the Merger may still be consummated if 29.99% of such shares vote against the Merger and elect to convert their shares to cash from the trust account established with the proceeds of our IPO.

The Company will hold a Special Meeting of its stockholders to obtain these approvals. In connection with the Merger, this proxy statement/prospectus contains important information about the proposed Merger, the First Amendment Proposal; the Second Amendment Proposal; the Third Amendment Proposal; the Director Proposal and the Adjournment Proposal.

The obligations of the Company, United and United Subsidiary to consummate the Merger are subject to the satisfaction or waiver of the following specified conditions set forth in the Merger Agreement before completion of the Merger:

- (i) the accuracy in all material respects on the date of the Merger Agreement and the Closing Date of all of United's representations and warranties;
- (ii) United's performance in all material respects of all covenants and obligations required to be performed by the Closing Date (as more fully described below in "Covenants of the Parties");
- (iii) a majority of the Company's stockholders must vote in favor of approving the Merger;
- (iv) not more than 29.99% of the shares of the common stock issued in the Company's IPO vote against the Merger and demand conversion of their stock into cash;
- (v) the Securities and Exchange Commission has declared effective the registration statement and prospectus which form a part of this proxy statement;
- (vi) no governmental authority has enacted, issued, promulgated, enforced or entered any law or order that is in effect and has the effect of making the Merger illegal or otherwise preventing or prohibiting consummation of the Merger;

- (vii) the private placement, including the exchange offer, and the tender offer shall have taken place;
- (viii) the officers are, and the Board of Directors of FMG following the Merger is constituted, as set forth as the Board of Directors recommends, as fully described herein;
- the consent of not less than 66% of the membership units of United to the Merger and no more than ten percent (xi)(10%) of the outstanding membership units of United shall constitute dissenting membership units under Florida law; and

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- (x) the management of FMG following the Merger is constituted as set forth 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	62	Director

Conditions (i), (ii), (viii) and (x) are waivable by the Company or United, as applicable.

In addition, United's obligation to close on the Merger is also contingent upon:

- (i) the accuracy in all material respects on the date of the Merger Agreement and the Closing Date of all of FMG's representations and warranties;
- (ii) FMG's performance in all material respects of all covenants and obligations required to be performed by the Closing Date (as more fully described below in "Covenants of the Parties");
  - (iii) a majority of the Company's stockholders must vote in favor of approving the Merger;
- (iv) not more than 29.99% of the shares of the common stock issued in the Company's IPO vote against the Merger and demand conversion of their stock into cash;
  - (v) stockholder approval of the First, Second and Third Amendment Proposals;
- (vi) the Securities and Exchange Commission has declared effective the registration statement and prospectus which form a part of this proxy statement;
  - (vii) the private placement, including the exchange offer, and the tender offer shall have taken place; no governmental authority has enacted, issued, promulgated, enforced or entered any law or order that is in effect
- (viii) and has the effect of making the Merger illegal or otherwise preventing or prohibiting consummation of the Merger; and
- (ix) the officers and the Board of Directors of FMG following the Merger is constituted as set forth as the Board of Directors recommends, as fully described herein.

Conditions (i), (ii) and (ix), as well as the Third Amendment Proposal, are waivable by United.

See the description of the Merger Agreement in the section entitled "The Merger Agreement" beginning on page 71. The Merger Agreement is included as Annex A to this proxy statement/prospectus. We encourage you to read the Merger Agreement in its entirety.

Under the terms of the Company's amended and restated certificate of incorporation, the Company may proceed with the Merger and consequent merger provided that not more than 29.99% of the Company's common stock issued in its

IPO vote against the Merger Proposal and elect to convert such shares to cash. The shares converted, if any, will reduce on a one for one basis the shares of common stock outstanding after the Merger, if approved.

## Results of Operations (June 30, 2008)

Net income for the three months ended June 30, 2008 of \$128,091 consisted of \$73,298 of general and administrative costs, offset by \$113,723 of interest income and an income tax benefit of \$87,666.

We consummated the Offering of 4,733,625 Units on October 11, 2007. Gross proceeds received from our Offering were \$39,119,100 (including the over-allotment option and warrants sold privately). We paid a total of \$1,136,070 in underwriting discounts and commissions, and approximately \$386,793 was paid for costs and expenses related to the Offering. After deducting the underwriting discounts and commissions and

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the Offering expenses, the total net proceeds to us from the Offering were approximately \$37,596,237, of which \$37,452,930 was deposited into the trust account (or approximately \$7.92 per share). The remaining proceeds are available to be used by us to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. We will use substantially all of the net proceeds of this offering to acquire a target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination. To the extent our capital stock is used in whole or in part as consideration to effect a business combination, the proceeds held in the trust fund as well as any other net proceeds not expended will be used to finance the operations of the target business. We believe we will have sufficient available funds outside of the trust fund to operate through October 4, 2009, assuming that a business combination is not consummated during that time. We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business. However, we may need to raise additional funds through a private offering of debt or equity securities if such funds are required to consummate a business combination that is presented to us. We would only consummate such a financing simultaneously with the consummation of a business combination. The proposed Business Combination with United will not require us to raise additional funds.

Commencing on October 11, 2007, and ending upon the acquisition of a target business, we began incurring a fee from Fund Management Group LLC, an affiliate of Gordon G. Pratt, our chief executive officer, of \$7,500 per month for providing us with office space and certain general and administrative services. In addition, Mr. Pratt advanced \$100,000 to us for payment on our behalf of offering expenses. This amount was repaid following the Offering from the net proceeds of the Offering.

## Off-Balance Sheet Arrangements, Commitments, Guarantees and Contractual Obligations

We have issued warrants in conjunction with our IPO and private placement, and have also issued incentive warrants. These warrants may be deemed to be equity linked derivatives and, accordingly, represent off balance sheet arrangements. As permitted under EITF 00-19, we account for these warrants as stockholders' equity and not as derivatives.

We did not have any long term debt, capital lease obligations, operating lease obligations, purchase obligations or other long term liabilities. Other than contractual obligations incurred in the ordinary course of business, we do not

have any other long-term contractual obligations.

In connection with our IPO, Pali Capital, Inc., the representative of the underwriters, has agreed to defer payment of the deferred underwriting discount and commission of \$1,514,760 until completion of a business combination. Until a business combination is complete, these funds will remain in the Trust Account. If the Company does not complete a business combination then the deferred fee will become part of the funds returned to the Company's Public Stockholders from the Trust Account upon its liquidation as part of any plan of dissolution and distribution approved by the Company's stockholders.

## Liquidity and Capital Resources

As of June 30, 2008, the Company had approximately \$45,626 of cash available for general corporate purposes and \$37,498,748 of cash and cash equivalents held in trust. The cash and cash equivalents held in trust were generated by the proceeds from our initial public offering of approximately \$37,869,000, the proceeds of the sale of founder securities of \$1,250,000, and \$547,607 of interest earned on the funds.

The Company placed \$37,452,930 of the net proceeds from the initial public offering of our units and sale of founder securities in trust and the remaining amount was held outside of the trust. As of June 30, 2008, we believe the Company's remaining balance of \$964,450 available for general corporate purposes will be sufficient to allow us to operate until October 4, 2009, assuming that a business combination is not consummated during that time.

We intend to use substantially all of the funds held in trust at June 30, 2008 to (i) acquire United or, in the event not consummated, acquire a different target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination, (ii) pay income taxes and (iii) upon the completion of a business combination, pay the deferred underwriting fee of \$1,514,760. We may not use all of the proceeds held in the Trust Account in

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connection with a business combination, either because the consideration for the business combination is less than the proceeds in trust or because we finance a portion of the consideration with capital stock or debt securities that we can issue. In that event, the proceeds held in the Trust Account as well as any other net proceeds not expended will be used to finance the operations of the target business or businesses. The operating businesses we acquire in such business combination must have, individually or collectively, a fair market value equal to at least 80% of the balance in the Trust Account (excluding deferred underwriter's fee of \$1,514,760) at the time of such acquisition. If we consummate multiple business combinations that collectively have a fair market value of at least 80% of our net assets, then we would require that such transactions be consummated simultaneously.

If we are unable to consummate a business combination by October 4, 2009, we will be required to liquidate. If we are required to liquidate, the per share liquidation amount may be less than the initial per unit Offering price because of the underwriting commissions and expenses related to our Offering, the cost of our liquidation, and because of the value of the warrants in the per unit offering price. Additionally, if third parties make claims against us, the Offering proceeds held in the Trust Account could be subject to those claims, resulting in a further reduction to the per share liquidation price. Under Delaware law, our stockholders who have received distributions from us may be held liable for claims by third parties to the extent such claims are not been paid by us. Furthermore, our warrants will expire worthless if we liquidate before the completion of a Business Combination.

In connection with our Offering, Pali Capital Inc. has agreed to defer payment of the remaining four percent (4%) of the gross proceeds (\$1,514,760) until completion of a Business Combination. Until a Business Combination is complete, these funds will remain in the Trust Account. If the Company does not complete a Business Combination then the 4% deferred fee will become part of the funds returned to the Company's Public Stockholders from the Trust Account upon our liquidation.

Other than contractual obligations incurred in the ordinary course of business, we do not have any other long-term contractual obligations.

## Critical Accounting Policies and Accounting Estimates

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

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## INFORMATION ABOUT UNITED INSURANCE HOLDINGS, L.C.

### Overview

United Insurance Holdings, L.C. is a property and casualty insurance holding company formed as a Florida limited liability company in 1999 to capitalize on legislation designed to attract capital to the Florida homeowners insurance market. United Insurance Holdings, L.C. and its subsidiaries (collectively referred to herein as "United") offer primarily homeowners and dwelling fire insurance policies in Florida as well as flood coverage and an insurance program tailored to meet the needs of auto service professionals. United's premium revenues have increased from \$7.0 million in 1999 to \$85.4 million in 2007, a compound annual growth rate of 36.7%. United has been profitable in each of the past nine years.

In the wake of the destruction caused by Hurricane Andrew in 1992, Florida legislators created a hurricane catastrophe system designed to mitigate losses to the Florida insurance industry and prevent a mass exodus of insurers from the state. This system includes (1) the Florida Hurricane Catastrophe Fund ("FHCF"), a reinsurance-like entity managed by the Florida State Board of Administration; (2) a homeowners policy form created by the Insurance Services Office ("ISO"), which contains high hurricane deductibles tied to a percentage of the dwelling coverage; and (3) Citizens Property Insurance Corporation ("Citizens," formerly known as the Florida Residential Property and Casualty Joint Underwriting Association), a state-sponsored insurer of last resort. Citizens was designed to provide temporary homeowners insurance coverage to individuals in Florida who could not obtain such coverage from private insurers. Contrary to legislative intent, Citizens became a major provider of homeowners insurance coverage to residents of Florida. This result prompted the Florida legislature to implement a depopulation program designed to provide incentive to private insurance companies to assume or "take-out" policies from Citizens in order to reduce the state's liability exposure.

Shortly after its inception in 1999, United began operations by assuming more than 10,000 policies from Citizens. Soon after these initial take-outs from Citizens, United began to appoint independent agents to write policies as well

(which United calls voluntary policies). United has not assumed any policies from Citizens since 2005. In an effort to diversify its source of business, during the past few years, United has focused on increasing its business from voluntary policies. Beginning in 2004 some of the large national insurance companies announced their full or partial withdrawal from the Florida homeowners insurance market. As of December 31, 2007, approximately 68% of United's policies in force were voluntary and approximately 32% of United's policies in force were assumed from Citizens. United's fiscal year ended December 31, 2007, represented the best year in United's history in terms of total revenues and net income, which were \$112.6 million and \$39.6 million, respectively. As of December 31, 2007, United also had 62,637 policyholders, total assets of \$242.4 million and stockholders' equity of \$46.1 million.

## United's Holding Company Structure

We formed United Insurance Holdings, L.C. to be a holding company for our subsidiaries, UPCIC, UIM, and Skyway Claims Services, L.C. (SCS). UPCIC and UIM were formed in Florida in 1999. UPCIC is the subsidiary through which United provides insurance policies. UIM serves as the managing general agent responsible for managing United's independent agents and for policy administration. SCS was formed in 2004 to provide claims adjusting services. United believes that its holding company structure will provide flexibility to expand its products and services in the future.

## United's Product Lines

United offers standardized policies, priced in accordance with geographic rating territories approved by the Florida OIR. The standard policy includes a hurricane deductible provision of 2% of the insured value. United specializes in providing homeowners and dwelling fire insurance policies, but also offers policies that exclude coverage for wind damages. United's dwelling fire product line includes a range of standardized policies with differing amounts of coverage. The homeowner's product line includes coverage options for standard single-family homeowners, tenants (renters), and for condominium unit owners.

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In August 2005, United introduced its first commercial line product, a packaged policy called e-Z Pac Insurance, which serves auto-service professionals. This product is focused on small service stations, body shops, and repair shops. It does not cover new or used car dealers. United believes the program is conservatively underwritten and priced. Wind exposures are monitored on a county-wide basis; additionally, we limit exposures on a one-mile radius basis via a geographic-coding process.

In addition to the homeowners, dwelling fire and commercial lines of business, United provides flood insurance through the National Flood Insurance Program (NFIP). United retains no risk of loss, but earns a commission for the issuance of the policies.

## Marketing and Distribution

United recruits, trains and licenses the full-service insurance agents that distribute United's products. Typically, the full-service agency is small to medium in size and represents several companies for both personal and commercial line products.

United depends upon its agents to produce new business, to provide customer service, and to be selective underwriters in their screening of risks for United's insurance companies to consider underwriting. The network of independent

agents also serves as an important source of information about the needs of the communities served by United.

Agents are compensated primarily through a fixed-base commission, but may also have the opportunity for profit sharing, depending on the agent's aggregate premiums earned and loss experience. Profit sharing opportunities are for an agent's entire book of business with United and not specifically for any individual policy. United does not have any marketing services agreements, placement services agreements, or similar arrangements. The agents are monitored and supported by United's marketing representatives. These United representatives also have principal responsibility for recruiting and training new agents.

United manages its agents through periodic business reviews (with underwriter and marketing participation) and establishment of benchmarks/goals for premium volume and profitability. In recent years, United has terminated a number of underperforming agents.

United also appoints more than 2,000 limited-service insurance agents that only service the policies assumed from Citizens. These limited-service agents are an outgrowth of the Consumer Choice amendment passed by the Florida legislature in 2003. The statute allows consumers to remain with Citizens if their agent cannot or will not contract with the carrier taking out the policy and the insured wishes to remain with the agent. If the agent contracts with the new carrier, the insured is obligated to have the policy removed to the take-out carrier. United believes its large network of limited appointment agents is valuable in quickly and effectively completing take-out transactions.

## **Policy Administration**

United is committed to providing the highest possible level of service to the insurance agents that distribute and service its products. United uses third-party administrators ( TPAs ) to manage information systems as well as the many aspects of policy processing. This allows United to obtain the most up-to-date technology at a reasonable cost and to achieve economies of scale without incurring significant fixed overhead expenses.

In addition to integrated policy underwriting, billing, collection and reporting, the TPA employs Internet-based systems for the on-line submission of applications and underwriting of policies. These systems are designed to offer efficient and rapid turnaround for policy issuance, allow the agent to submit periodic changes required by its customer through the internet, and are very popular with United's agency distribution partners.

United recently contracted with Computer Sciences Corporation ( CSC ), the nation's leading provider of business process outsourcing services to the property and casualty industry, to take over all of the services currently performed by United's existing TPA. United's management believes that CSC provides a superior level of resources and is more capable of supporting United's future growth objectives.

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## **Underwriting**

As required by the Florida OIR, United's catastrophic reinsurance requirements and related costs are based on a 100-year probable maximum loss ( PML ). United analyzes its PML on a regular basis using catastrophe modeling software. United's underwriting policies and procedures seek to minimize its risk of loss while maximizing its premium through the optimization of geographic exposure and the diversification of the portfolio with respect to PML. Using output from the software, United strategically analyzes every policy by zip code to accomplish the optimization process.



The effectiveness of United's strategy can be seen in its loss experience. Except for losses incurred from Hurricane Wilma, United's hurricane losses in 2004 and 2005 developed below modeled expectations. United currently writes policies in virtually every county in the state with the exception of Pasco, Hernando and Citrus counties, where sinkhole losses are an increased risk.

United writes twelve-month policies only. Based on the historical business practices of United, new business and assumptions of blocks of policies are made evenly throughout the year. Therefore, there is no clear month in which most of the renewals occur. Rates for homeowners insurance policies are heavily regulated in the State of Florida. As such, United is limited in its ability to increase rates without prior approval from the OIR. Homeowners rates are based on a percentage of the insured's property value and vary across 108 rating territories. United maintains rates in territories where it does not currently write policies, as required by law.

## Claims and Claim Reserves

United maintains a claims staff that processes approximately 30% - 35% of all non-catastrophe claims. In addition to the in-house staff, United maintains strategic relationships with several third-party claims administrators and a claims call center. Currently, United is under contract with a third-party claims administrator for the processing of all of its catastrophe claims. United believes this relationship is effective in assuring adequate catastrophe service as evidenced by the handling of over 30,000 claims in 2004 and 2005.

United's homeowners' policies provide both structure and contents coverage for a broad range of exposures. The policies also provide liability coverage limited to \$100,000, \$300,000 or \$500,000.

United's historical non-catastrophe ( non-CAT ) gross loss ratios, including losses incurred but not reported ( IBNR ), are presented in the table below:

Period Ended	Non-CAT Loss and LAE (Dollars in Thousands)	Gross Earned Premium	Loss Ratio
12/31/2007	\$ 25,604	\$ 151,684	16.9 %
12/31/2006	34,566	139,588	24.8 %
12/31/2005	46,420	119,345	38.9 %

According to OIR, the 2007 industry average non-CAT gross loss ratio was 24.3%.

United's non-CAT loss ratio is currently better than industry average. United actively employs corrective measures, loss mitigation and disciplined underwriting to maintain its loss ratio objectives. For example, in January 2003, United declined to offer renewals to 18,000 unprofitable policies, terminated a small number of poor-performing agents and continued to focus on achieving appropriate rate increases. In 2006, United reduced its exposure to sinkhole losses, the primary cause of the higher losses that occurred in 2005.

In addition to the measures described above, United also takes instrumental steps to mitigate losses such as inspection of all new risks, portfolio credit risk analysis, individual agency management and rehabilitative actions as needed, and monitoring rate adequacy.

The following table summarizes United's claims and reserves including loss adjustment expense (LAE) for the past six years:

## CLAIMS AND RESERVES

	12/31/07	12/31/06	12/31/05	12/31/04	12/31/03	12/31/02
	(Dollars in Thousands)					
Non-catastrophe claims data						
Claims opened during period	2,239	2,514	3,223	2,176	1,781	1,918
Claims closed during period	2,363	2,856	3,003	1,706	1,782	1,784
Open claims at end of period	539	663	1,005	785	315	316
Loss and LAE incurred	\$27,281	\$35,472	\$46,736	\$22,506	\$9,948	\$11,252
Loss and LAE ceded	(1,677 )	(906 )	(316 )	(598 )	(49 )	(14 )
Net loss and LAE incurred	\$25,604	\$34,566	\$46,420	\$21,908	\$9,899	\$11,238
Total claims payments	\$28,745	\$31,362	\$35,405	\$17,722	\$10,869	\$8,752
Catastrophe claims data						
Claims opened during period	329	2,881	20,506	6,566		3
Claims closed during period	1,556	16,225	8,228	3,726	2	18
Open claims at end of period	547	1,774	15,118	2,840		2
Loss and LAE incurred	\$10,256	\$115,215	\$255,229	\$91,686	\$	\$
Loss and LAE ceded	(10,198)	(114,424)	(240,032)	(71,582)		
Net loss and LAE incurred	\$58	\$791	\$15,197	\$20,104	\$	\$
Total claims payments	\$30,198	\$236,099	\$105,696	\$87,566	\$	\$
Total net loss and LAE incurred	\$25,662	\$35,357	\$61,617	\$42,012	\$9,899	\$11,238
Total claims payments	\$58,943	\$267,461	\$141,101	\$105,288	\$10,869	\$8,752
Reserves						
Case	\$13,887	\$12,609	\$91,707	\$6,047	\$2,491	\$2,913
IBNR	22,118	44,566	82,510	6,500	1,100	1,600
Ceded	(14,446)	(33,441 )	(153,769)	(4,099 )		
Total Reserves	\$21,559	\$23,734	\$20,448	\$8,448	\$3,591	\$4,513

United's independent actuary performs quarterly loss reviews to assist management in determining the reasonableness of the loss reserves.

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The following table presents the liability for unpaid losses and LAE for the years ended December 31, 1999 through 2007 and does not distinguish between catastrophic and non-catastrophic events. The top line of the table shows the estimated net liabilities for unpaid losses and LAE at the balance sheet date for each of the periods indicated. These figures represent the estimated amount of unpaid losses and LAE for claims arising in all prior years that were unpaid at the balance sheet date, including losses that had been incurred but not yet reported. The portion of the table labeled Cumulative paid as of shows the net cumulative payments for losses and LAE made in succeeding years for losses incurred prior to the balance sheet date. The lower portion of the table shows the re-estimated amount of the previously recorded liability based on experience as of the end of each succeeding year.

Years Ended December 31,									
2007	2006	2005	2004	2003	2002	2001	2000	1999	

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(Dollars in Thousands)									
Balance sheet liability	\$21,559	\$23,734	\$20,448	\$8,448	\$3,591	\$4,513	\$2,078	\$1,249	\$1,716
Cumulative paid as of:									
One year later		9,047	12,872	10,962	4,549	4,530	1,707	767	366
Two years later			14,363	13,871	6,097	6,065	2,065	963	393
Three years later				14,868	6,594	6,779	2,258	1,081	503
Four years later					6,382	7,185	2,260	1,197	564
Five years later						6,967	2,250	1,197	668
Six years later							2,067	1,197	668
Seven years later								1,041	668
Eight years later									632
Re-estimated net liability as of:									
End of year	\$21,559	\$23,734	\$20,448	\$8,448	\$3,591	\$4,513	\$2,078	\$1,249	\$1,716
One year later		17,652	18,802	12,989	6,061	5,252	2,315	888	378
Two years later			17,675	15,260	6,358	6,523	2,279	1,112	443
Three years later				15,586	7,051	6,981	2,378	1,192	541
Four years later					6,561	7,438	2,260	1,257	667
Five years later						7,066	2,259	1,197	688
Six years later							2,068	1,198	668
Seven years later								1,041	668
Eight years later									632
Cumulative redundancy (deficiency)		\$6,082	\$2,773	\$(7,138)	\$(2,970)	\$(2,553)	\$10	\$208	\$1,084
Cumulative redundancy (deficiency) as a % of reserves originally established		25.6 %	13.6 %	-84.5 %	-82.8 %	-56.6 %	0.5 %	16.7 %	63.2 %

The cumulative redundancy or deficiency represents the aggregate change in the estimates over all prior years. A deficiency indicates that the latest estimate of the liability for losses and LAE is higher than the liability that was originally estimated and a redundancy indicates that such estimate is lower. It is important to note that the table above presents a run-off of balance sheet liability for the periods indicated rather than accident or policy loss development for those periods. Therefore, each amount in the table includes the cumulative effects of changes in liability for all prior periods. Conditions and trends that have affected liabilities in the past may not necessarily occur in the future.

## Management of Exposure to Catastrophic Losses

United is exposed to potentially numerous insured losses arising out of single or multiple occurrences of events such as natural catastrophes. As with all property and casualty insurers, United expects to and will incur some losses related to catastrophes and will price its policies accordingly. United's exposure to catastrophic losses arises principally out of hurricanes and windstorms. Through the use of standard industry modeling techniques that are susceptible to change,

United manages its exposure to such losses on an ongoing basis from an underwriting perspective. United also attempts to protect itself against the risk of catastrophic

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loss by obtaining reinsurance coverage as of the beginning of hurricane season (June 1) each year. United secures reinsurance coverage to an amount approximating its 100-year projected maximum loss ( PML ). United's catastrophe

reinsurance program consists of excess of loss reinsurance for multiple catastrophic events. However, there is no guarantee United will have sufficient reinsurance to cover multiple storms in the future or be able to obtain such reinsurance in a timely or cost-effective manner. In addition, United is responsible for losses related to catastrophic events with incurred losses in excess of coverage provided by United's reinsurance program, such as losses in excess of approximately its 100-year PML.

## Reliance on Third Parties and Reinsurers

United is dependent upon third parties to perform certain functions including, but not limited to, provide reinsurance. UPCIC also relies on reinsurers to limit the amount of risk retained under its policies and to increase its ability to write additional risks. United's intention is to limit its exposure and therefore protect its capital, even in the event of catastrophic occurrences, through reinsurance agreements. For the 2007 hurricane season, United's reinsurance agreements transferred the risk of loss in excess of approximately \$16.5 million up to approximately \$400 million for both the first and second loss events. These amounts may change in the future. There is no assurance United will be able to obtain reinsurance at these levels in the future, which could have a material adverse effect to United should a catastrophic event occur.

## Reinsurance

The property and casualty reinsurance industry is subject to the same market conditions as the direct property and casualty insurance market, and there can be no assurance that reinsurance will be available to United to the same extent and at the same cost as currently in place. Future increases in catastrophe reinsurance costs are possible and could adversely affect United's results. Reinsurance does not legally discharge an insurer from its primary liability for the full amount of the risks it insures, although it does make the reinsurer liable to the primary insurer. Therefore, United is subject to credit risk with respect to its reinsurers. Management evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers to minimize its exposure to such risk. A reinsurer's insolvency or inability to make payments under a reinsurance treaty could have a material adverse effect on the financial condition and profitability of United. In addition, while ceding premiums to reinsurers reduces United's risk of exposure in the event of catastrophic losses, it also reduces United's potential for greater profits should no catastrophic events occur.

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## REINSURANCE RECOVERABLE

Reinsurance Carrier	As of December 31, 2007					
	AM Best Rating	Total Recoverable	Ceded Balances Payable	Net Recoverable	Letters of Credit	Net Unsecured Recoverable
ACE Tempest Reinsurance Ltd	A+	\$ 879	\$244	\$ 635	\$ 45	\$ 590
Alea North America Insurance Company	NR-4	63		63		63
Amlin Bermuda Ltd	A	1,253	822	431		431
AXA Re	A-	282	229	53		53
Catlin Insurance Company Ltd	A	173		173	16	157
Everest Re	A+	1,179	775	404		404

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Flagstone Re	A-	589	387	202		202
Florida Hurricane Catastrophe Fund		17,660		17,660		17,660
Harco National Insurance Group	A-	2,936	1,320	1,616		1,616
Hiscox Insurance Co Ltd	A-	253	166	87		87
Lloyd s Syndicates	As	11,490	4,865	6,625		6,625
Markel International	A	184	124	60		60
Montpelier Reinsurance Ltd	A-	2,140	1,162	978	35	943
National Flood Insurance Program		2,739		2,739		2,739
New Castle Reinsurance Co Ltd	A-	702	453	249		249
Odyssey America Reinsurance	A	141		141		141
Omega Specialty Insurance Co Ltd	A-	294	194	100		100
WR Berkley Europe Ltd	A	204	111	93	64	29
Total		<b>\$43,161</b>	\$10,852	<b>\$32,309</b>	\$ 160	