

ASSURANCEAMERICA CORP

Form PRE 14A

March 31, 2006

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

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES

EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
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ASSURANCEAMERICA CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

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(4) Date Filed:

ASSURANCEAMERICA CORPORATION

RiverEdge One

Suite 600

5500 Interstate North Parkway

Atlanta, Georgia 30328

**NOTICE OF ANNUAL SHAREHOLDERS MEETING
TO BE HELD APRIL 27, 2006**

Notice is hereby given that the 2006 Annual Shareholders Meeting (the Annual Meeting) of AssuranceAmerica Corporation, a Nevada corporation, will be held at our main offices at RiverEdge One, Suite 600, 5500 Interstate North Parkway, Atlanta, Georgia 30328, on Wednesday, April 27, 2006, at 11:00 a.m., local time, for the following purposes:

1. *Election of Directors.* To elect eight directors to serve until the 2007 Annual Shareholders Meeting and until their successors are duly elected and qualified;

2. *Amendment to the certificate of incorporation to increase authorized common stock.* To amend the Company s amended and restated certificate of incorporation to increase the authorized common stock;

3. *Amendment to the Company s 2000 Stock Option Plan.* To amend the Company s 2000 Stock Option Plan to increase the shares available for option grants under such plan; and

4. *Other Business.* The transaction of such other business as may properly come before the Annual Meeting, including adjourning the Annual Meeting to permit, if necessary, further solicitation of proxies.

Only shareholders of record at the close of business on April 3, 2006, are entitled to receive notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

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

By Order Of the Board Of Directors

/s/ Guy W. Millner

/s/ Lawrence Stumbaugh

Guy W. Millner
Chairman

Lawrence Stumbaugh
President and Chief Executive Officer

Atlanta, Georgia
April 10, 2006

**ASSURANCEAMERICA CORPORATION
PROXY STATEMENT FOR 2006 ANNUAL SHAREHOLDERS MEETING
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**ASSURANCEAMERICA CORPORATION
PROXY STATEMENT FOR
2006 ANNUAL SHAREHOLDERS MEETING
VOTING INFORMATION**

Purpose

This Proxy Statement is being furnished to you in connection with the solicitation by and on behalf of our Board of Directors of proxies for use at the 2006 Annual Shareholders Meeting (the Annual Meeting) at which you will be asked to vote upon proposals to:

elect eight Directors to serve until the 2007 Annual Shareholders Meeting and until their successors are duly elected and qualified (see Proposal 1);

approve an amendment to our Certificate of Incorporation to increase the number of authorized shares of common stock (see Proposal 2);

approve an amendment to our 2000 Stock Option Plan to increase the number of shares available for grant under the plan (see Proposal 3).

The Annual Meeting will be held at 11:00 a.m., local time, on Thursday, April 27, 2006, at our main offices at RiverEdge One, Suite 600, 5500 Interstate North Parkway, Atlanta, Georgia 30328. This Proxy Statement and the enclosed proxy are first being mailed to shareholders on or about April 10, 2006.

Proxy Card and Revocation

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

FOR the election of each of the eight nominees for Director and FOR Proposals 2 and 3. As of the date of this Proxy Statement, we are unaware of any other matter to be presented at the Annual Meeting.

Who Can Vote; Voting Of Shares

Our Board of Directors has established the close of business on April 6, 2006, as the record date (Record Date) for determining our shareholders entitled to notice of and to vote at the Annual Meeting. Only our shareholders of record as of the Record Date will be entitled to vote at the Annual Meeting. A plurality of votes cast at the Annual Meeting will be required to elect eight Directors to serve until the 2007 Annual Shareholders Meeting and until their successors are duly elected and qualified. A plurality means that the nominees who receive the most votes for the available directorships will be elected as Directors. Accordingly, the withholding of authority by a shareholder will not be counted in computing a plurality and will have no effect on the results of the election of such nominees. The affirmative vote of a majority of our outstanding common and preferred stock present in person or represented by proxy and entitled to vote at the meeting will be required to amend our Amended Certificate of Incorporation to increase our authorized shares of common stock and to amend our 2000 Stock Option Plan. In addition, the affirmative vote of two thirds of our outstanding preferred stock present in person or represented by proxy and entitled to vote at the meeting will be required to amend our Amended Certificate of Incorporation to increase our authorized shares of common stock and to amend our 2000 Stock Option

Plan. The affirmative majority votes of our outstanding common stock and preferred stock present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to approve any other matter to properly come before the Annual Meeting.

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

As of the Record Date, there were 51,767,321 shares of our common stock outstanding and entitled to vote at the Annual Meeting, with each share entitled to one vote. As of the Record Date, there were 1,266,000 shares of our Series A Convertible preferred stock (preferred stock) outstanding and entitled to vote at the Annual Meeting. Each share of preferred stock is entitled to ten (10) votes, representing the current number of shares of common stock into which each share of preferred stock may be converted. Holders of common stock and holders of preferred stock will vote together without regard to class on the matters to be voted upon at the Annual Meeting; however, the affirmative vote of two thirds of our outstanding preferred stock present in person or represented by proxy and entitled to vote at the meeting will be required to amend our Amended Certificate of Incorporation to increase our authorized shares of common stock and to amend our 2000 Stock Option Plan.

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

How You Can Vote

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

PROPOSAL 1 ELECTION OF DIRECTORS

Number of Directors

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

Nominees

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

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

Board of Directors

The following table sets forth the names and ages as of March 23, 2006, of the current members of our Board of Directors each of whom has been nominated for reelection.

Name	Age	Director Since	Position
Guy W. Millner	70	2003	Chairman of the Board
Lawrence (Bud) Stumbaugh	65	2003	CEO & President
Donald Ratajczak	65	2000	Director
Quill O. Healey	65	2003	Director
John E. Cay III	60	2003	Director
Kaaren J. Street	59	2004	Director
Sam Zamarripa	53	2004	Director
John Ray	45	2005	Director

Biographies of Directors

Guy W. Millner has served as the Chairman of the Board since June 2003. Mr. Millner served as Chairman of AA Holdings, LLC, the predecessor of the Company, from 1998 to 2003. From 1961 to 1999, Mr. Millner served as Chairman of Norrell Corporation, a leading provider of staffing and outsourcing solutions. Mr. Millner also serves on the Board of Directors of Matria Healthcare, Inc.

Lawrence (Bud) Stumbaugh has served as our President and Chief Executive Officer and on our Board of Directors since June 2003. He served as President and Chief Executive Officer of AA Holdings, LLC from 1998 to 2003. Prior to joining AA Holdings, LLC, Mr. Stumbaugh was President and Chief Executive Officer of Lawmark International Corporation.

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

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

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

Sam Zamarripa has served on our Board of Directors since August 2004. He is a State Senator and Mr. Zamarripa has also been a managing partner of Heritage Capital Advisors, an investment banking services firm, for the last five years. Mr. Zamarripa is a director nominee requested by the majority holder of the preferred stock.

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

John Ray has served on our Board since November 2005. For more than the last five years, he has been the President of Heritage Capital Advisors, LLC, a private equity and financial advisory firm with offices in Atlanta and Memphis. Mr. Ray is a director nominee requested by the majority holder of the preferred stock.

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

Meetings and Committees of the Board

Our Board of Directors held four meetings during the year ended December 31, 2005. Each Director attended 75% or more of the aggregate number of meetings held by the Board of Directors and the Committee, if any, on which such Director served. The Board of Directors has a standing Compensation Committee. The Compensation Committee is composed of Mr. Zamarripa, Chairman, and Mrs. Street. The Compensation Committee met twice in 2005. The Compensation Committee is responsible for overseeing the compensation and benefits of our management and employees and acts in accordance with a charter adopted by the Board of Directors. The Board of Directors has a standing audit committee. The audit committee is composed of Mr. Healey, Chairman and Mr. Cay. The audit committee met three times in 2005. The audit committee acts pursuant to the charter adopted by the Board of Directors, a copy of which is attached as Appendix 1 to this proxy statement. Mr. Healey is the Audit Committee financial expert as defined by SEC rules.

Because approximately 75% of our outstanding common stock is beneficially held by two individuals, our Board of Directors feels that it is appropriate not to have a standing Nominating Committee. Each of the members of our Board of Directors participates in the consideration of Director nominees. The Board has not established specific, minimum qualifications for a nominee to the Board of Directors. The Board considers the personal attributes a candidate including: leadership, ethical nature, independence, interpersonal skills, contributing nature, and effectiveness. The candidates experience attributes are also considered and include: financial acumen, general business experience, industry knowledge, diversity of viewpoint, special business experience and expertise. Messrs. Healey, Cay, Ratajczak, Ray, Zamarripa, and Mrs. Kaaren J. Street are independent directors, as defined in Rule 4200 of the National Association of Securities Dealers, Inc., and SEC Rule 10A-3(b)(1)(ii). Messrs. Millner and Stumbaugh serve as our Chairman and President and Chief Executive Officer, respectively. As a result, Messrs. Millner and Stumbaugh would not be considered independent directors. Our Board of Directors does not have a charter relating to the nomination of Directors. Our Board of Directors does not consider nominees for Director submitted by shareholders.

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

Communicating with the Board

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

Director Compensation

Our Directors are granted an option to purchase 50,000 shares of our common stock (exercisable over five years at fair market value on the date of the grant) upon their initial election to the Board of Directors. Annually, each Director may choose between an award of 20,000 shares of our common stock or \$2,500 per quarter. We reimburse each non-officer director for travel expenses related to attendance at Board and committee meetings.

For the year ended December 31, 2005, Guy W. Millner and Lawrence Stumbaugh were not compensated in their capacity as Directors. Donald Ratajczak, Sam Zamarripa, and John E. Cay III each accepted a grant of 20,000 shares of our common stock in lieu of cash compensation for their service for the year ended December 31, 2005. Quill O. Healey and Kaaren J. Street elected to receive cash compensation of \$10,000 (four quarters) as remuneration for their service for the year ended December 31, 2005.

PROPOSAL 2 AMENDMENT TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE OUR AUTHORIZED SHARES OF COMMON STOCK

In November, 2005, the Company's Board of Directors unanimously approved, subject to shareholder approval, the proposed amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of shares of common stock that the Company has authorized to issue from 80,000,000 shares to 120,000,000 shares. A copy of the amendment is attached as Appendix 2.

On April 6, 2006, the Company had 51,767,321 shares of common stock outstanding and approximately 18,000,000 shares of common stock reserved for issuance in connection with the conversion of our preferred stock to common stock, and our stock option plan. The Board of Directors does not consider the number of shares of common stock currently available to be adequate for the Company's future requirements. The Board of Directors believes that it is prudent to increase the number of authorized shares of common stock to the proposed level in order to provide a reserve of shares to be available for issuance in connection with possible future actions. The additional authorized shares of common stock would give the Company flexibility in its planning and in responding to future business developments including possible financings through the issuance of equity securities, acquisition transactions, stock splits or dividends, establishing strategic relationships with corporate partners, issuances under stock based plans and other general corporate purposes. If the additional authorized common stock is available for issuance, in appropriate circumstances, the Company may avoid the delays and expenses that would be occasioned by the necessity of obtaining shareholder approval at the time of the action and would be better positioned to engage in and consummate these actions. The Board of Directors believes that increasing the authorized common shares to 120,000,000 common shares will provide the Company with sufficient shares available for issuance for the foreseeable future.

Under some circumstances, the issuance of additional shares of common stock could dilute the voting rights, equity, and earnings per share of existing shareholders. The proposed increase in authorized but unissued common stock could also be considered an anti-takeover measure because the additional authorized but unissued shares of common stock could be used by the Board of Directors to make a change in control of the Company more difficult. The Board of Directors purpose in recommending this proposal is not as an anti-takeover measure nor is it being advanced as part of any anti-takeover strategy; the Board of Directors purpose in recommending this proposal is described above.

Authorized shares of the Company's common stock may be issued by the Board of Directors from time to time without further shareholder approval, except in certain circumstances where shareholder approval is required. Except for our preferred shareholders, the Company's shareholders have no preemptive rights to acquire additional shares of common stock; current shareholders do not have the right to purchase any new issue of shares of common stock in order to maintain their proportionate ownership interest in the Company. The issuance of any additional shares of common stock likely would dilute the

voting power of the outstanding shares of common stock and reduced the portion of the dividends and liquidation proceeds payable to the holders of the Company's outstanding common stock.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 2 TO AMEND THE COMPANY'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE AUTHORIZED SHARES OF COMMON STOCK TO 120,000,000 SHARES.

PROPOSAL 3 AMENDMENT TO THE COMPANY'S 2000 STOCK OPTION PLAN TO INCREASE THE SHARES AVAILABLE FOR ISSUANCE THEREUNDER TO 7,500,000

In November 2005, the Board of Directors unanimously approved an amendment to the Company's 2000 Stock Option Plan (the Plan) to increase the shares available for issuance under the Plan from 5,000,000 shares to 7,500,000 shares, subject to shareholder approval. A copy of the amendment to the Plan, as well as the Plan, is attached as Appendix 3. The following description of the Plan is qualified in its entirety by the provisions of the Plan.

On April 6, 2006, there were 5,080,943 shares subject to options outstanding to purchase shares of common stock of the Company. The Board of Directors believes that equity incentives are critical to attracting and retaining the best employees in its industry. The approval of this proposal will enable the Company to continue to provide such incentives. The Company believes its use of equity incentives in the employee compensation process has been a material factor in its success to date, and the Company intends to continue the appropriate use of stock options in the future to motivate individuals receiving a grant of stock options to contribute to the growth and profitability of the Company.

The Company's Plan provides for the grant of incentive and nonstatutory stock options. The compensation committee of the Board of Directors administers the Plan, determines the persons to whom and the dates on which options will be granted, the number of shares to be subject to each option, the time or times during the term of each option within which all or a portion of such option may be exercised, the exercise price, and other terms of each option. In certain circumstances and within stated parameters, the compensation committee may delegate certain aspects of the administration of the Plan to an employee of the Company.

Our officers, employees, directors, consultants and other independent contractors or agents are eligible for selection by the compensation committee to participate in the Plan, provided, however, that incentive stock options may only be granted to our employees. As of April 10, 2006, the approximate number of persons in each class of participants were as follows: employees (approximately 50 persons); employee directors (one-person); nonemployee directors (six persons); and consultants or other independent contractors (one-person).

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

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

In order for the Plan to continue to provide an incentive for highly qualified individuals to serve or continue service with the Company, to more closely align the interests of such individuals with our stockholders, and to provide stock based compensation comparable to that offered by other similar

companies, the Board believes that the number of shares of common stock authorized for issuance under the Plan should be increased as proposed.

Our Board believes that the amendment to increase the number of shares available for issuance under the Plan are necessary in order for the Plan to continue to serve as a strong stock based incentive for our employees and other eligible individuals now and in the future. The Plan as amended is intended to be effective as of April 27, 2006.

The amount of compensation that would be paid pursuant to the grant of options under the Plan in the current year is not yet determinable. However, the following table sets forth the number of options that were granted in 2005 under the Plan to each of the named individuals.

**New Plan Benefits
2000 Stock Option Plan, as amended**

Name and Position	Number of Shares
Lawrence Stumbaugh, President & CEO	
Joseph J. Skruck, President of AssuranceAmerica Managing General Agency, LLC, a subsidiary of the Company	
James C. Cook, Senior Vice President of Corporate Development	
Renée A. Pinczes, Senior Vice President and Chief Financial Officer	300,000
David Anthony, Vice President of Information Technology of AssuranceAmerica Managing General Agency, LLC, a subsidiary of the Company	
All current executive officers as a group(9)	580,000
All current directors who are not executive officers as a group	
All employees, including all current officers who are not executive officers as a group	1,794,050

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS APPROVAL OF PROPOSAL 3 TO AMEND THE COMPANY S 2000 STOCK OPTION PLAN TO INCREASE THE SHARES AVAILABLE UNDER THE PLAN TO 7,500,000 SHARES

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides information concerning beneficial ownership of our common stock and preferred stock as of April 6, 2006, by: (i) each shareholder that we know owns more than 5% of our outstanding common stock; (ii) each of our Named Executive Officers; (iii) each of our Directors; and (iv) all of our Directors and executive officers as a group.

The following table lists the applicable percentage of beneficial ownership based on 51,767,321 shares of common stock outstanding as of April 6, 2006 and 1,266,000 shares of convertible preferred shares outstanding on April 6, 2006. Except where noted, the persons or entities named have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Name of Beneficial Owner (1)	Number of Shares Beneficially Owned		Percentage of Ownership (%)	
	Common	Preferred	Common	Preferred
Guy W. Millner	33,534,192(2)		64.8	
Lawrence (Bud) Stumbaugh	5,089,347(3)		9.8	
Donald Ratajczak	249,500(4)		0.5	
Quill O. Healey	50,000(5)		0.1	
John E. Cay III	143,000(6)		0.3	
Kaaren J. Street	16,500(7)		*	
Sam Zamarripa	20,000	6,800(13)	*	0.5
John Ray	1,269,231(8)	1,092,000(14)	2.5	86.3
Joseph J. Skruck	282,300(9)		0.5	
Renée A. Pinczes	60,000		0.1	
James C. Cook	1,380,000(11)		2.7	
David Anthony	86,000(12)		0.2	
Directors & executive officers as a group (15 persons)	42,490,070	1,098,800	83.5	86.8

* Less than 1.0%.

- (1) Except as otherwise stated, the beneficial owner's address is RiverEdge One, Suite 600, 5500 Interstate North Parkway, Atlanta, Georgia 30328.
- (2) Includes indirect beneficial ownership by Mr. Millner of 2,119,500 shares of our common stock held by MI Holdings, Inc, a corporation controlled by Mr. Millner.
- (3) Includes 5,000 shares of our common stock held by Mr. Stumbaugh's spouse as custodian for her son under the Georgia Transfers to Minors Act.
- (4) Includes options and warrants to purchase 53,000 shares of our common stock exercisable within 60 days.
- (5) Consists of an option to purchase our common stock exercisable within 60 days.
- (6) Includes an option to purchase 33,000 shares of common stock exercisable within 60 days.
- (7) Consists of an option to purchase our common stock exercisable within 60 days.

- (8) Consists of indirect beneficial ownership by Mr. Ray of 1,269,231 shares of our common stock held by Heritage Assurance Partners II, LLP, a partnership controlled by Mr. Ray.
- (9) Includes an option to purchase 270,000 shares of common stock exercisable within 60 days.
- (10) Consists of an option to purchase our common stock exercisable within 60 days.
- (11) Consists of 1,320,000 common shares owned by Thomas-Cook Holding Company, a corporation controlled by Mr. Cook, and an option to purchase 60,000 shares exercisable within 60 days.
- (12) Consists of an option to purchase our common stock exercisable within 60 days.

- (13) Consists of preferred stock owned by Mr. Zamarripa's spouse.
- (14) According to a Schedule 13G, filed August 23, 2004, on behalf of Heritage Fund Advisors, LLC (HFA), Heritage Assurance Partners, L.P. (HAP), and John F. Ray, (the Schedule 13G), HFA and HAP have shared voting and dispositive power with respect to these shares and John F. Ray disclaims any beneficial ownership of such shares. According to the Schedule 13G, HAP's address is 3353 Peachtree Road, Suite 1040, Atlanta, Georgia 30326.

EXECUTIVE COMPENSATION

The following table sets forth the compensation paid or accrued by the Company to the Chief Executive Officer, the other four most highly paid executive officers of the Company in 2005 who were executive officers at December 31, 2005 whose annual compensation exceeded \$100,000 (the Named Executive Officers). The information presented is for the years ended December 31, 2005, 2004 and 2003.

Summary Compensation Table

Name & Principal Position (1)	Year Ended December 31,	Annual Compensation(2)			Long Term Compensation	
		Salary (\$)	Bonus (\$)	Other Annual Compensation (3)	Restricted Stock Awards	Securities Underlying Options(5)
Lawrence Stumbaugh, President & CEO	2005	172,213	31,500			
	2004	155,683		16,322		
	2003	175,000				
Joseph J. Skruck, President of AssuranceAmerica Managing General Agency, LLC, a subsidiary of the Company	2005	150,003	30,000			
	2004	127,231			7,995(4)	
	2003	105,885	10,000			
James C. Cook, Senior Vice President of Corporate Development	2005	150,002	65,000			
	2004	76,923				300,000
	2003					
Renée A. Pinczes, Senior Vice President and Chief Financial Officer	2005	115,386	30,000			300,000
	2004					
	2003					
David Anthony, Vice President of Information Technology of AssuranceAmerica Managing General Agency, LLC, a subsidiary of the Company	2005	126,598	23,000			
	2004	90,673				230,000
	2003					

- (1) Mr. Stumbaugh was appointed President and Chief Executive Officer effective April 1, 2003. Mr. Skruck was appointed President of AssuranceAmerica Managing General Agency, LLC, effective April 1, 2003. Mrs. Pinczes was appointed Senior Vice President and Chief Financial Officer effective March 21, 2005. Mr. Hain was appointed Senior Vice President, Secretary and General Counsel on August 15, 2005.
- (2) In accordance with the rules of the Securities and Exchange Commission, the compensation set forth in the table does not include medical, group life insurance or other benefits that are available to all salaried employees and certain perquisites and other benefits, securities or property that do not exceed the lesser of \$50,000 or 10% of the officer's salary and bonus shown in the table.
- (3) Amounts shown consist of certain perquisites, none of which had a value exceeding 25% of the total value of all perquisites provided.
- (4) The fair market value of stock bonus awarded on December 31, 2004, to Mr. Skruck was \$0.65 per share.

- (5) The exercise price of all option grants in 2005 and 2004 is equal to the fair market value of the common stock on the date of grant and each grant has a five-year term. The option grants will vest 20 percent on each of the first four anniversaries of the date of grant.

Option Grants in Last Fiscal Year

The table below provides information regarding grants of stock options to the Named Executives during 2005.

Name	Number of Securities Underlying Options	% of Total Options Granted to Employees in Fiscal Year	Exercise Price	Expiration Date
Lawrence Stumbaugh				
Joseph J. Skruck				
James C. Cook				
Renée A. Pinczes	300,000	12.5%	\$0.48	4/08/2010
David Anthony				

Year-End Option Values

None of the Named Executive Officers exercised any stock options during the year ended December 31, 2005. The following table provides information regarding the value of exercisable and unexercisable stock options held as of December 31, 2005, by each Named Executive Officer.

Name	Number of Securities Underlying Unexercised Options at December 31, 2005		Value of Unexercised In-the-Money Options at December 31, 2005(1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Lawrence Stumbaugh				
Joseph J. Skruck	270,000	180,000	\$ 167,400	\$ 111,600
James C. Cook	60,000	240,000	\$ 22,200	\$ 88,800
Renée A. Pinczes	60,000	240,000	\$ 23,700	\$ 94,800
David Anthony	86,000	144,000	\$ 31,820	\$ 53,280