MEADOWBROOK INSURANCE GROUP INC
Form DEFM14A
March 25, 2015

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

SCHEDULE 14A
(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant	x
Filed by a Party other than the Registrant	o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

MEADOWBROOK INSURANCE GROUP, INC.

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

o	No fee required.

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

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

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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PRELIMINARY PROXY STATEMENT, SUBJECT TO COMPLETION,

DATED MARCH 25, 2015

March 25, 2015

Dear Fellow Shareholder:

An Annual Meeting of shareholders of Meadowbrook Insurance Group, Inc., a Michigan corporation (the ***Company***), will be held on April 27, 2015, at 2:00 p.m. Eastern Time at 26255 American Drive, Southfield, Michigan 48034 (the ***Annual Meeting***). You are cordially invited to attend. The purpose of the meeting is to:

consider and vote on a proposal to adopt and approve the Agreement and Plan of Merger, dated as of December 30, 2014 and as amended from time to time (the ***merger agreement***), by and among the Company, Miracle Nova II (US), LLC, a Delaware limited liability company (***Parent***), and Miracle Nova III (US), Inc., a Delaware corporation and a wholly-owned subsidiary of Parent (***Sub***) and the merger contemplated by the merger agreement (the ***merger***);
consider and vote on a proposal to approve, by a non-binding advisory vote, the compensation that may be paid or become payable to the Company s named executive officers that is based on or otherwise relates to the merger;
elect Robert S. Cubbin, Robert F. Fix and Douglas A. Gaudet for a three-year term expiring in 2018, or, in each case, until the earlier election and qualification of such director s successor and elect Florine Mark for a one-year term expiring in 2016, or, in such case, until the earlier election and qualification of such director s successor;
ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm;
consider an advisory vote to approve the Company s 2014 executive compensation;
consider and vote on a proposal to adjourn the Annual Meeting to a later date or time if necessary or appropriate, including to solicit additional proxies in favor of the proposal to adopt and approve the merger agreement and the merger if there are insufficient votes at the time of the Annual Meeting to adopt and approve the merger agreement and the merger; and
transact any other business that is properly submitted before the Annual Meeting or any adjournments of the Annual Meeting.

On December 30, 2014, the Company entered into the merger agreement with Sub and Parent, providing for, subject to the satisfaction or waiver of specified conditions, the acquisition of the Company by Sub at a price of $8.65 per share in cash. Subject to the terms and conditions of the merger agreement, the Company will survive the merger as a wholly-owned subsidiary of Parent.

At the effective time of the merger, each share of the Company s common stock issued and outstanding immediately prior to the effective time (other than (i) shares held by shareholders of the Company who have properly exercised and perfected appraisal rights under Michigan law, (ii) shares that are owned by Parent, Sub or any other subsidiary of Parent and (iii) shares that are owned by the Company or by any subsidiary of the Company) will be converted into the right to receive $8.65 per share in cash, without interest, subject to any applicable withholding taxes.

The proxy statement accompanying this letter provides you with more specific information concerning the Annual Meeting, the merger agreement, the merger and the other transactions contemplated by the merger agreement. We encourage you to carefully read the accompanying proxy statement and the copy of the merger agreement attached as

Annex A to the proxy statement.

The board of directors of the Company (the ***Board***) carefully reviewed and considered the terms and conditions of the merger agreement, the merger and the other transactions contemplated by the merger agreement. The Board also considered a number of factors in evaluating the merger and consulted with its

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outside legal and financial advisors. By a unanimous vote of the directors present at the meeting, the Board (i) approved the merger agreement, (ii) declared the merger agreement and the transactions contemplated thereby, including the merger, to be advisable and in the best interests of the Company and the Company s shareholders, (iii) directed that a proposal to adopt and approve the merger agreement and the merger be submitted to a vote at a meeting of the shareholders of the Company and (iv) recommended that the shareholders of the Company vote for the adoption and approval of the merger agreement and the merger. **Accordingly, the Board recommends a vote FOR the proposal to adopt and approve the merger agreement and the merger.**

The Board also recommends that at the Annual Meeting you vote FOR the approval, by a non-binding advisory vote, of the compensation that may be paid or become payable to the Company s named executive officers that is based on or otherwise relates to the merger, FOR each of the nominees to the Board named in the accompanying proxy statement, FOR the ratification of the appointment of the independent registered public accounting firm, FOR the executive compensation of our named executives as disclosed in this Proxy Statement and FOR the proposal to adjourn the Annual Meeting if necessary or appropriate, including to solicit additional proxies.

Your vote is important. Whether or not you plan to attend the Annual Meeting and regardless of the number of shares you own, your careful consideration of, and vote on, the proposal to adopt and approve the merger agreement and the merger is important, and we encourage you to vote promptly. The merger cannot be completed unless the merger agreement and the merger are adopted and approved by shareholders holding at least a majority of the outstanding shares of the common stock of the Company entitled to vote on such matter. **The failure to vote will have the same effect as a vote AGAINST the proposal to adopt and approve the merger agreement and the merger.**

After reading the accompanying proxy statement, please make sure to vote your shares promptly by completing, signing and dating the accompanying proxy card and returning it in the enclosed prepaid envelope or by voting by telephone or through the Internet by following the instructions on the accompanying proxy card. Instructions regarding all three methods of voting are provided on the proxy card. If you hold shares through an account with a bank, broker, trust or other nominee, please follow the instructions you receive from it to vote your shares.

Thank you in advance for your continued support and your consideration of this matter.

Robert S. Cubbin
President and Chief Executive Officer

Neither the United States Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The accompanying proxy statement is dated March 25, 2015 and is first being mailed to the Company s shareholders on or about March 26, 2015.

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MEADOWBROOK INSURANCE GROUP, INC.
26255 American Drive,
Southfield, Michigan 48034

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be Held On April 27, 2015

To the Shareholders of the Company:

An Annual Meeting of shareholders of Meadowbrook Insurance Group, Inc. (the ***Company***) will be held on April 27, 2015, at 2:00 p.m. Eastern Time, at 26255 American Drive, Southfield, Michigan 48034, for the following purposes:

1. to consider and vote on a proposal to adopt and approve the Agreement and Plan of Merger, dated as of December 30, 2014 and as amended from time to time (the ***merger agreement***), by and among the Company, Miracle Nova II (US), LLC, a Delaware limited liability company (***Parent***), and Miracle Nova III (US), Inc., a Delaware corporation and a wholly-owned subsidiary of Parent (***Sub***) and the merger contemplated by the merger agreement (the ***merger***);
2. to consider and vote on a proposal to approve, by a non-binding advisory vote, the compensation that may be paid or become payable to the Company s named executive officers that is based on or otherwise relates to the merger;
3. to elect Robert S. Cubbin, Robert F. Fix and Douglas A. Gaudet for a three-year term expiring in 2018, or, in each case, until the earlier election and qualification of such director s successor and elect Florine Mark for a one-year term expiring in 2016, or, in such case, until the earlier election and qualification of such director s successor;
4. to ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm;
5. to consider an advisory vote to approve the Company s 2014 executive compensation;
6. to consider and vote on a proposal to adjourn the Annual Meeting to a later date or time if necessary or appropriate, including to solicit additional proxies in favor of the proposal to adopt and approve the merger agreement and the merger if there are insufficient votes at the time of the Annual Meeting to adopt and approve the merger agreement and the merger; and
7. to transact any other business that is properly submitted before the Annual Meeting or any adjournments of the Annual Meeting.

Shareholders of record at the close of business on March 12, 2015 are entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

For more information concerning the Annual Meeting, the merger agreement, the merger and the other transactions contemplated by the merger agreement, please review the accompanying proxy statement and the copy of the merger agreement attached as Annex A to the proxy statement.

The board of directors of the Company (the ***Board***) carefully reviewed and considered the terms and conditions of the merger agreement, the merger and the other transactions contemplated by the merger agreement. The Board also considered a number of factors in evaluating the merger and consulted with its outside legal and financial advisors. By a unanimous vote of directors present at the meeting, the Board (i) approved the merger agreement, (ii) declared the merger agreement and the transactions contemplated thereby, including the merger, to be advisable and in the best interests of the Company and the Company s shareholders, (iii) directed that a proposal to adopt and approve the merger agreement and the merger be submitted to a vote at a meeting of the shareholders of the Company and (iv)

recommended that the Company s shareholders vote for the adoption and approval of the merger agreement and the merger.

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The Board recommends that at the Annual Meeting you vote FOR the proposal to adopt and approve the merger agreement and the merger, FOR the approval, by a non-binding advisory vote, of the compensation that may be paid or become payable to the Company s named executive officers that is based on or otherwise relates to the merger, FOR each of the nominees to the Board named in the accompanying proxy statement, FOR the ratification of the appointment of the independent registered public accounting firm, FOR the executive compensation of our named executives as disclosed in this Proxy Statement and FOR the proposal to adjourn the Annual Meeting if necessary or appropriate, including to solicit additional proxies.

To assure that your shares are represented at the Annual Meeting, regardless of whether you plan to attend the Annual Meeting in person, please fill in your vote, sign and mail the enclosed proxy card as soon as possible. We have enclosed a return envelope, which requires no postage if mailed in the United States. Alternatively, you may vote by telephone or through the Internet. Instructions regarding each of the methods of voting are provided on the enclosed proxy card. If you are voting by telephone or through the Internet, then your voting instructions must be received by 11:59 p.m. Eastern Time on April 26, 2015. Your proxy is being solicited by the Board.

If you have any questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please call our proxy solicitor Innisfree M&A Incorporated, at 1-888-750-5834 (for shareholders) or 212-750-5833 (for banks and brokers).

If you fail to return your proxy, vote by telephone or through the Internet or attend the Annual Meeting in person, your shares will not be counted for purposes of determining whether a quorum is present at the Annual Meeting and will have the same effect as a vote AGAINST the proposal to adopt and approve the merger agreement and the merger.

By Order of the Board of Directors

Michael G. Costello, Senior Vice President,
General Counsel and Secretary

Southfield, Michigan
March 25, 2015

Please Vote Your Vote is Important

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SUMMARY TERM SHEET

This summary highlights certain information in this proxy statement, but may not contain all of the information that may be important to you. You should carefully read the entire proxy statement and the attached Annexes and the other documents to which this proxy statement refers you for a more complete understanding of the matters being considered at the Annual Meeting. In addition, this proxy statement incorporates by reference important business and financial information about Meadowbrook Insurance Group, Inc. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions in the section entitled Where You Can Find More Information. Unless the context otherwise indicates, we refer to Meadowbrook Insurance Group, Inc. as the ***Company****,* ***we****, ,* ***Meadowbrook*** *,* ***us*** *or* ***our****.*

The Parties (see page 15)

Meadowbrook, based in Southfield, Michigan, is a leader in the specialty program management market. Meadowbrook includes several agencies, claims and loss prevention facilities, self-insured management organizations and six property and casualty insurance underwriting companies. Meadowbrook has twenty-eight locations in the United States. Meadowbrook is a risk management organization, specializing in specialty risk management solutions for agents, professional and trade associations, and small to medium-sized insureds. Meadowbrook Insurance Group, Inc. common shares are listed on the New York Stock Exchange under the symbol MIG .

Fosun International Limited (00656.HK) (which we refer to as ***Fosun***), was founded in 1992 in Shanghai. Fosun was listed on the Main Board of The Stock Exchange of Hong Kong Limited on July 16, 2007. Today, Fosun has established four business engines comprising insurance, industrial operations, investment and asset management.

Miracle Nova II (US), LLC, (which we refer to as ***Parent***) is a Delaware limited liability company and a wholly-owned subsidiary of Fosun.

Miracle Nova III (US), Inc. (which we refer to as ***Sub***) is a Delaware corporation formed for the purpose of effecting the transactions contemplated by the merger agreement with the Company, and is a direct, wholly owned subsidiary of Parent.

The mailing address of each of Parent and Sub is 3500 South DuPont Highway, Dover, Delaware 19901 and their telephone number is (852) 2509 3228.

The Merger (see page 23)

On December 30, 2014, the Company, Parent and Sub entered into the merger agreement. Under the terms of the merger agreement, subject to the satisfaction or waiver of specified conditions, Sub will merge with and into the Company. The Company will survive the merger as a wholly-owned subsidiary of Parent. The Board has approved the merger agreement and recommends that the Company s shareholders vote for the proposal to adopt and approve the merger agreement and the merger.

Upon completion of the merger, each share of the Company s common stock, $0.01 par value per share (***common stock***), that is issued and outstanding immediately prior to the effective time of the merger (other than (i) shares held by shareholders of the Company who have properly exercised and perfected appraisal rights under Michigan law, (ii) shares that are owned by Parent, Sub or any other subsidiary of Parent and (iii) shares that are owned by the Company

or by any subsidiary of the Company (which we refer to collectively as ***excluded shares***)) will be converted into the right to receive $8.65 per share in cash, without interest, subject to any applicable withholding taxes (which we refer to as the ***merger consideration***).

Following the completion of the merger, the Company will cease to be a publicly traded company and will become a wholly-owned subsidiary of Parent.

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The Annual Meeting (see page 16)

The Annual Meeting will be held on April 27, 2015, at 2:00 p.m. Eastern Time, at 26255 American Drive, Southfield, Michigan 48034. At the Annual Meeting, you will be asked to, among other things, vote for the proposal to adopt and approve the merger agreement and the merger. See the section entitled The Annual Meeting, beginning on page 16, for additional information on the Annual Meeting, including how to vote your shares of common stock.

Shareholders Entitled to Vote; Vote Required to Adopt and Approve the Merger Agreement and the Merger (see page 17)

You may vote at the Annual Meeting if you were a holder of record of shares of the Company s common stock as of the close of business on March 12, 2015, which is the record date for the Annual Meeting (which we refer to as the ***record date***). You will be entitled to one vote for each share of the Company s common stock that you owned of record on the record date. As of the record date, there were 50,306,760 shares of the Company s common stock issued and outstanding and entitled to vote at the Annual Meeting. The adoption and approval of the merger agreement and the merger requires the affirmative vote of the holders of a majority of the outstanding shares of the Company s common stock entitled to vote on such matter.

Parent does not require a shareholder vote to approve the merger agreement. In addition, on December 30, 2014, the sole shareholder of Sub authorized and approved the merger agreement.

How to Vote

Shareholders of record have a choice of voting by proxy by completing a proxy card and mailing it in the prepaid envelope provided, by calling a toll-free telephone number or through the Internet. Please refer to your proxy card or the information forwarded by your bank, broker, trust or other nominee to see which options are available to you. The telephone and Internet voting facilities for shareholders of record will close at 11:59 p.m. Eastern Time on April 26, 2015.

If you wish to vote by proxy and your shares are held by a bank, broker, trust or other nominee, you must follow the voting instructions provided to you by your bank, broker, trust or other nominee.

If you wish to vote in person at the Annual Meeting and your shares are held in the name of a bank, broker or other holder of record, you must obtain a legal proxy, executed in your favor, from the bank, broker or other holder of record authorizing you to vote at the Annual Meeting.

YOU SHOULD NOT SEND IN YOUR STOCK CERTIFICATE(S) WITH YOUR PROXY CARD. A letter of transmittal with instructions for the surrender of certificates representing shares of the Company s common stock will be mailed to shareholders if the merger is completed.

For additional information regarding the procedure for delivering your proxy, see the sections entitled The Annual Meeting How to Vote, beginning on page 18 and The Annual Meeting Solicitation of Proxies, beginning on page 20. If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please call our proxy solicitor, Innisfree M&A Incorporated, at 1-888-750-5834 (for shareholders) or 212-750-5833 (for banks and brokers).

Recommendation of the Board; Reasons for Recommending the Adoption and Approval of the Merger Agreement and the Merger (see pages 16, 34)

After careful consideration, the members of the Board who in attendance at the meeting unanimously declared the merger agreement and the transactions contemplated thereby, including the merger, to be advisable and in the best interests of the Company and our shareholders. **The Board recommends that at the Annual Meeting you vote FOR the proposal to adopt and approve the merger agreement and the merger, FOR the approval, by a non-binding advisory vote, of the compensation that may be paid or become payable to the Company s named executive officers that is based on or otherwise relates to the merger, FOR each of the nominees to the Board named in this proxy statement, FOR the ratification of the appointment of the independent registered public accounting firm, FOR the**

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executive compensation of our named executives as disclosed in this Proxy Statement and FOR the proposal to adjourn the Annual Meeting if necessary or appropriate, including to solicit additional proxies.

For a discussion of the material factors considered by the Board in reaching its conclusions to approve the merger agreement, see the section entitled The Merger Reasons for Recommending the Adoption and Approval of the Merger Agreement and the Merger, beginning on page 34.

Opinion of Willis Capital Markets & Advisory (see page 41)

In connection with the merger, at the special meeting of the Board on December 30, 2014, Willis Securities, Inc. (which we refer to as ***Willis Capital Markets & Advisory***), rendered its opinion to the Board to the effect that, as of that date and based upon and subject to the assumptions, qualifications and limitations stated in its written opinion, the merger consideration to be received in the merger by the holders of shares of the Company s common stock was fair, from a financial point of view, to such holders.

The full text of Willis Capital Markets & Advisory s written opinion to the Board, dated December 30, 2014, is attached as Annex B to this proxy statement and is incorporated herein by reference. You should read the opinion in its entirety for a discussion of the assumptions made, factors considered and qualifications and limitations upon the review undertaken by Willis Capital Markets & Advisory in rendering the opinion. The summary of Willis Capital Markets & Advisory s opinion is qualified in its entirety by reference to the full text of the opinion. You are encouraged to read Willis Capital Markets & Advisory s opinion, this section and the summary of Willis Capital Markets & Advisory s opinion below carefully and in their entirety. Willis Capital Markets & Advisory s opinion was provided for the information of the Board (in its capacity as such) in its evaluation of the consideration to be paid in the merger from a financial point of view and did not address any other aspect of the merger. Willis Capital Markets & Advisory expressed no view as to, and its opinion did not address, the relative merits of the merger as compared to alternative business or financial strategies that might be available to the Company, the effect of any other transaction in which the Company might engage or the Company s underlying business decision to engage in the merger. The opinion does not constitute a recommendation to any holder of the Company s common stock as to how such holder should act or vote in connection with the merger or otherwise.

Market Price and Dividend Data (see page 75)

Meadowbrook common stock is traded on the New York Stock Exchange (which we refer to as the ***NYSE***) under the symbol *MIG*. On December 29, 2014, the last full trading day prior to the public announcement of the merger, the closing price for Meadowbrook common stock was $6.97 per share. On March 23, 2015, the last full trading day prior to the date of this proxy statement, the closing price for Meadowbrook common stock was $8.48 per share.

Certain Effects of the Merger (see page 53)

Upon completion of the merger, Sub will be merged with and into Meadowbrook upon the terms set forth in the merger agreement. As the surviving corporation in the merger, Meadowbrook will continue to exist following the merger as an wholly-owned subsidiary of Parent.

Following the completion of the merger, shares of Meadowbrook common stock will no longer be traded on the NYSE or any other public market. In addition, the registration of shares of Meadowbrook common stock under the

Securities Exchange Act of 1934, as amended (which we refer to as the ***Exchange Act***), will be terminated.

Consequences If the Merger Is Not Completed (see page 54)

If the proposal to adopt and approve the merger agreement and the merger does not receive the required approval from Meadowbrook shareholders, or if the merger is not completed for any other reason, you will not receive any consideration from Parent or Sub for your shares of Meadowbrook common stock. Instead, Meadowbrook will remain a public company, and Meadowbrook common stock will continue to be listed and traded on the NYSE.

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In addition, if the merger agreement is terminated under specified circumstances, Meadowbrook is required to pay Parent a termination fee. See the section entitled The Agreement and Plan of Merger Termination Fees, beginning on page 69.

Interests of Directors and Executive Officers in the Merger (see page 47)

In considering the recommendation of the Board that you vote **FOR** the proposal to adopt and approve the merger agreement and the merger, you should be aware that some of our executive officers and members of the Board have interests in the merger that may be in addition to or different from the interests of the Company s shareholders generally. The Board was aware of these interests and considered them at the time it approved the merger agreement and made its recommendation to the Company s shareholders.

Conditions to the Merger (see page 70)

Each party s obligations to complete the merger are subject to the satisfaction or waiver (where permitted) of certain specified conditions, including (i) the adoption and approval of the merger agreement and the merger by the holders of a majority of the outstanding shares of the Company entitled to vote thereon and (ii) the receipt of certain required antitrust and other regulatory approvals (including insurance regulatory approvals in the states of California, Michigan, Missouri and Ohio).

The obligations of Parent and Sub to effect the merger are also subject to the satisfaction or waiver by Parent of the following additional conditions:

subject to, in certain cases, certain materiality qualifiers, the accuracy of each of our representations and warranties; and
our performance in all material respects with our obligations and covenants required to be performed by us under the merger agreement at or prior to the closing date.

Our obligations to effect the merger are also subject to the satisfaction or waiver by us of the following additional conditions:

subject to, in certain cases, certain materiality qualifiers, the accuracy of the representations and warranties Parent and Sub; and
Parent s and Sub s performance in all material respects with their respective obligations and covenants required to be performed under the merger agreement at or prior to the closing date.

Regulatory Approvals Required for the Merger (see page 57)

The merger agreement and the transactions contemplated thereby are subject to the receipt of specified regulatory approvals, including certain insurance regulatory approvals, set forth in the merger agreement. Under the insurance laws of each state or jurisdiction in which the Insurance Company Subsidiaries are domiciled or commercially domiciled, prior to acquiring control of any such Insurance Company Subsidiary, Parent is required to obtain the approval of the insurance regulatory authority in each such state or jurisdiction. Fosun, on behalf of Parent, filed applications seeking approval of the merger with the states of California, Michigan, Missouri and Ohio on January 29, 2015 and with Washington, D.C. on March 2, 2015. Although the Company and Parent do not expect any such insurance regulator to withhold their approval of the merger, the Company and Parent cannot be certain that such approvals will be granted, and, if granted, of the date of such approvals or what conditions may be imposed in

connection therewith. Parent has the right to elect not to complete the merger if Parent is unable to obtain all regulatory approvals specified in the merger agreement as conditions to closing without any such approval being conditioned on the imposition of any burdensome condition (as defined in The Merger Regulatory Approvals Required for the Merger).

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the ***HSR Act***), and the rules promulgated thereunder by the Federal Trade Commission (the ***FTC***), the merger cannot be completed until each of the Company and Parent file a notification and report form with the FTC and the Antitrust Division of the Department of Justice (the ***DOJ***) under the HSR Act and the applicable waiting period has expired or been terminated. The Company and Parent made all the filings and submissions with respect to the merger as required under the HSR Act, and early termination of the waiting period was granted effective February 24, 2015.

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Restriction on Solicitation of Competing Proposals (see page 65)

The merger agreement generally restricts our ability to:

directly or indirectly, initiate, solicit or knowingly take any action to facilitate or encourage the making of any proposal or offer that constitutes a competing proposal or the making of any inquiry, offer or proposal that would reasonably be expected to lead to a competing proposal;
conduct or engage or participate in any discussions or negotiations with, disclose any non-public information relating to the Company or any of its subsidiaries to, afford access to the business, properties, assets, books or records of the Company or any of its subsidiaries to, or otherwise knowingly cooperate in any way, or knowingly assist or encourage any effort by, any third party that is seeking to make, or has made, any competing proposal; or
amend or grant any waiver or release under any standstill or similar agreement with respect to any class of equity securities of the Company or any of its subsidiaries or approve any transaction under, or any third party becoming an interested shareholder under, the Michigan Business Corporations Act (***MBCA***), enter into any agreement in principle, letter of intent, term sheet, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement or other contract relating to any competing proposal or enter into any agreement or agreement in principle requiring us to abandon, terminate or fail to consummate the transactions contemplated by the merger agreement or breach our obligations under the merger agreement, or resolve, propose or agree to do any of the foregoing.

Termination of the Merger Agreement (see page 68)

The merger agreement may be terminated prior to the effective time of the merger by the mutual written consent of Parent and the Company. The merger agreement may also be terminated prior to the effective time of the merger by either Parent or the Company if:

the meeting of Meadowbrook shareholders will have been held and completed and the requisite shareholder approval will not have been obtained at such meeting or at any adjournment or postponement thereof;
the merger has not been consummated by July 28, 2015; provided, that if all of the conditions to such consummation, other than the conditions regarding obtaining regulatory approvals, shall have been satisfied or shall be capable of being satisfied at such time, such date may be extended by either the Company or Parent from time to time by written notice to the other party until October 26, 2015 (the last of such dates, the ***outside date***); or
if any governmental entity has issued any order, injunction or decree permanently enjoining, restraining or prohibiting the merger.

Meadowbrook may also terminate the merger agreement if:

prior to receiving the requisite shareholder approval, if the Board shall have effected a Change of Company Recommendation with respect to the merger and merger agreement in order to cause the Company to enter into a definitive agreement with respect to a superior proposal; provided that in the event of such termination, the Company substantially concurrently enters into such binding definitive agreement;
Parent or Sub has breached or failed to perform any of its representations, warranties, covenants or agreements contained in the merger agreement, in any case, such that a condition to the consummation of the merger would not be satisfied, the Company has delivered to Parent written notice of such breach or failure to perform; and either such breach or failure to perform is not capable of cure or at least 30 days shall have elapsed since the date of delivery of such written notice to Parent and such breach or failure to perform shall not have been cured; provided, that the Company shall not be permitted to terminate the merger agreement under such circumstances if the

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Company has breached or failed to perform any of its representations, warranties, covenants or agreements contained in the merger agreement, in any case, such that a condition to the consummation of the merger would not be satisfied; or

all conditions to the consummation of the merger have been satisfied (other than those conditions that by their nature are to be satisfied at the closing or that have failed to be satisfied as a result of Parent s or Sub s material breach or failure to perform any of their respective representations, warranties, covenants or agreements contained in the merger agreement) have been satisfied or waived, the Company has notified Parent in writing that the Company is ready, willing and able to consummate the closing of the merge, and Parent and Sub have failed to consummate the merger on the date by which the closing is required to have occurred pursuant to the merger agreement.

Parent may also terminate the merger agreement if:

the Company has breached or failed to perform any of its representations, warranties, covenants or agreements contained in the merger agreement, in any case, such that a condition to the consummation of the merger would not be satisfied, Parent has delivered to the Company written notice of such breach or failure to perform; and either such breach or failure to perform is not capable of cure or at least 30 days shall have elapsed since the date of delivery of such written notice to the Company and such breach or failure to perform shall not have been cured; provided, that Parent shall not be permitted to terminate the merger agreement under such circumstances if Parent has breached or failed to perform any of its representations, warranties, covenants or agreements contained in the merger agreement, in any case, such that a condition to the consummation of the merger would not be satisfied; or

prior to receiving the requisite shareholder approval, if the Board shall have effected a change of company recommendation with respect to the merger and merger agreement or the Board shall have failed to include its recommendation that the shareholders adopt and approve the merger agreement and the merger in this proxy statement.

Termination Fees (see page 69)

Upon termination of the merger agreement under specified circumstances, we will be required to pay Parent a termination fee of $15,165,000, which circumstances include:

if Parent terminates the merger agreement, at any time prior to the Company s receipt of the requisite shareholder approval in event of a change of company recommendation by the Board with respect to the adoption and approval of the merger agreement and the merger;

if the Company terminates the merger agreement at any time prior to the receipt of the approval of the Company s shareholders, if the Board shall have effected a change of company recommendation with respect to the adoption and approval of the merger agreement and the merger in order to cause the Company to enter into a definitive agreement with respect to a superior proposal; or

if Parent or the Company terminates the merger agreement if the merger is not consummated by the outside date or in the event of the failure of the shareholders to adopt and approve the merger agreement and the merger, or if a competing proposal shall have been publicly disclosed and not publicly withdrawn, and within nine months after the termination of the merger agreement, the Company shall have consummated any competing proposal, or entered into a definitive agreement with respect to any competing proposal (and such competing proposal is subsequently consummated).

Dissenters Rights (see page 72)

In accordance with the merger agreement and the MBCA, Meadowbrook shareholders have dissenters rights. Meadowbrook shareholders may elect to dissent from the merger and obtain payment for their shares of common stock in the manner, with the rights and subject to the requirements applicable to dissenting shareholders as provided in the MBCA.

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Any Meadowbrook shareholder who wishes to exercise statutory dissenters rights or who wishes to preserve the right to do so should refer to the Dissenters Rights Statute and consult counsel prior to taking any action. Failure to strictly comply with the procedures set forth in the Dissenters Rights Statute will result in the loss of dissenters rights. Meadowbrook shareholders should be aware that pursuing dissenters rights may result in the shareholder receiving more or less than the price paid or offered to Meadowbrook shareholders, and may cause the dissenting shareholder to incur substantial legal and other expenses. A copy of the Dissenters Rights Statute is attached hereto as Annex C.

Litigation Related to the Merger (see page 58)

The Company, the Board, Fosun, Parent and Sub have been named as defendants in certain lawsuits brought by purported shareholders of the Company seeking, among other things, to enjoin the proposed merger.

Material U.S. Federal Income Tax Consequences of the Merger (see page 54)

The receipt of cash for shares of Meadowbrook common stock pursuant to the merger generally will be a taxable transaction for U.S. federal income tax purposes. In general, a U.S. holder (as such term is defined below in the section entitled The Merger Material U.S. Federal Income Tax Consequences of the Merger, beginning on page 54) who receives cash in exchange for shares of Meadowbrook common stock in the merger will recognize gain or loss equal to the difference, if any, between the cash received and the U.S. holder s adjusted tax basis in the shares converted into the right to receive cash in the merger. Gain or loss will be determined separately for each block of shares of Meadowbrook common stock (that is, shares acquired for the same cost in a single transaction). You should refer to the discussion in the section entitled The Merger Material U.S. Federal Income Tax Consequences of the Merger, beginning on page 54 and consult your tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of the merger.

Additional Information (see page 121)

You can find more information about the Company in the periodic reports and other information we file with the U.S. Securities and Exchange Commission (which we refer to as the ***SEC***). The information is available at the SEC s public reference facilities and at the website maintained by the SEC at *www.sec.gov*.

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QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND THE MERGER

The following questions and answers are intended to briefly address some commonly asked questions regarding the Annual Meeting of shareholders and the merger. These questions and answers do not address all questions that may be important to you as a shareholder of the Company. Please refer to the more detailed information contained elsewhere in this proxy statement, the Annexes to this proxy statement and the documents referred to in this proxy statement.

Q: What is a proxy?

A: A proxy is a procedure which enables you, as a shareholder, to authorize someone else to cast your vote for you. The Board of Directors of the Company is soliciting your proxy, and asking you to authorize Robert S. Cubbin, President and Chief Executive Officer or Michael G. Costello, Senior Vice President, General Counsel and Secretary of the Company, to cast your vote at the Annual Meeting. You may, of course, cast your vote in person or abstain from voting, if you so choose. The term proxy is also used to refer to the person who is authorized by you to vote for you.

Q: What are a proxy statement and a proxy card?

A: A proxy statement is the document the SEC requires be provided to you in order to explain the matters on which you are asked to vote. A proxy card is the form by which you may authorize someone else, and in this case, Mr. Cubbin or Mr. Costello, to cast your vote for you. This proxy statement and proxy card with respect to the Annual Meeting were mailed on or about March 26, 2015 to all shareholders entitled to vote at the Annual Meeting.

Q: Who is entitled to vote?

A: Only holders of shares of the Company s common stock at the close of on the Record Date are entitled to vote at the Annual Meeting. Each shareholder of record has one vote for each share of common stock for each matter presented for a vote.

Q: When and where will the Annual Meeting of shareholders be held?

A: The Annual Meeting of the Company s shareholders will be held at 26255 American Drive, Southfield, Michigan 48034 on April 27, 2015, at 2:00 p.m. Eastern Time.

Q: What is householding and how does it affect me?

A: Some banks, brokers, and other record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of our proxy statement and 2014 annual report on Form 10-K may have been sent to multiple shareholders in your household. We will promptly deliver a separate copy of these documents to you if you contact us at the address set forth above.

If you want to receive separate copies of our proxy statements and annual reports on Form 10-K in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other record holder.

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Q: How can I vote?

A: You can vote in person or by proxy. To vote by proxy, complete, sign, date and return the enclosed proxy card in the enclosed envelope. If you returned your signed proxy card to the Company before the Annual Meeting, the persons named as proxies on the card will vote your shares as you direct. Shares represented by proxies that are marked WITHHELD to vote for all nominees for director, or for any individual nominee(s) for election as director(s) and which are not otherwise marked FOR the other nominees will not be counted in determining whether a plurality vote has been received for the election of directors. Similarly, shares represented by proxies, which are marked ABSTAIN on the proposals to be voted on at the Annual Meeting will not be counted in determining whether the requisite vote has been received for such proposal. **IF YOU WISH TO VOTE IN THE MANNER THE BOARD OF DIRECTORS RECOMMENDS, IT IS NOT NECESSARY TO SPECIFY YOUR CHOICE ON THE PROXY CARD. SIMPLY SIGN, DATE AND RETURN THE PROXY CARD IN THE ENCLOSED ENVELOPE.** You may revoke a proxy at any time before the proxy is voted or change your vote by:

Providing written notice of revocation to the Secretary of the Company at the address shown on the Notice of Annual Meeting of Shareholders on the first page of this statement;

Submitting another proxy that is properly signed and dated later; or

Voting in person at the meeting (but only if the shares are registered in the Company s records in your name and not in the name of a broker, dealer, bank or other third party).

Q: If my shares are held for me by a bank, broker, trust or other nominee, will my bank, broker, trust or other nominee vote those shares for me with respect to the proposals?

A: Other than with respect to the proposal to ratify our independent registered public accounting firm, your bank, broker, trust or other nominee will not have the power to vote your shares of the Company s common stock at the Annual Meeting unless you provide instructions to your bank, broker, trust or other nominee on how to vote. You should instruct your bank, broker, trust or other nominee on how to vote your shares with respect to the proposals, using the instructions provided by your bank, broker, trust or other nominee. You may be able to vote by telephone or through the Internet if your bank, broker, trust or other nominee offers these options.

Q: What if I fail to instruct my bank, broker, trust or other nominee how to vote?

A: Other than with respect to the proposal to ratify our independent registered public accounting firm, your bank, broker, trust or other nominee will **NOT** be able to vote your shares of the Company s common stock unless you have properly instructed your bank, broker, trust or other nominee on how to vote. Because the proposal to adopt and approve the merger agreement and the merger requires the affirmative vote of a majority of the outstanding shares of the Company s common stock, the failure to provide your nominee with voting instructions will have the same effect as a vote **AGAINST** the proposal to adopt and approve the merger agreement and the merger. Furthermore, your shares will not be included in the calculation of the number of shares of the Company s common stock present at the Annual Meeting for purposes of determining whether a quorum is present.

Q: Is my vote confidential?

A: Yes, your vote is confidential. Only the inspectors of election and certain employees associated with processing proxy cards and counting the votes have access to your proxy card. All comments received will be forwarded to management on an anonymous basis unless you request that your name be disclosed.

Q: What is a quorum?

A: There were 50,306,760 shares of the Company s common stock outstanding on the Record Date. A majority of the outstanding shares entitled to be cast, or 25,153,381 shares, present or represented by proxy, constitute a quorum. A quorum must exist to conduct business at the Annual Meeting. Abstentions and broker non-votes are counted as votes present for purposes of determining whether there is a quorum (except with respect to the proposal to consider an advisory vote to approve the Company s 2014

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executive compensation, for which broker non-votes are not counted as votes present for purposes of determining whether there is a quorum).

Q: How does voting work?

A: If a quorum exists at the Annual Meeting, a plurality vote, being the greatest number of the shares voted, although not a majority, is required to elect the nominees for director. The nominees receiving the highest number of votes will be elected. The proposal to adopt and approve the merger agreement and the merger requires the affirmative vote of the holders of a majority of the outstanding shares of the Company s common stock entitled to vote on such matter, and if a quorum is present, the affirmative vote by the holders of a majority of the votes cast in person or by proxy is required to approve the additional proposals to be voted on at the Annual Meeting.

In addition, even if a quorum is not present at the Annual Meeting, the affirmative vote of shares representing a majority of the voting power of the shares present in person or represented by proxy at the Annual Meeting entitled to vote on such matter may adjourn the meeting to another place, date or time.

Abstentions and broker non-votes are not votes cast. Therefore, an abstention will have no effect on the proposal to elect directors but will be treated as being present and entitled to vote for the additional proposals, and therefore will have the effect of votes against each other proposal to be voted on at the Annual Meeting, while broker non-votes will have no effect on such other proposals.

The Company will vote properly executed proxies it receives prior to the Annual Meeting in the way you direct. If you do not specify instructions, the shares represented by proxies will be voted FOR the nominees for director and FOR all other proposals.

Q: Who pays for the costs of the Annual Meeting?

A: The Company pays the cost of preparing and printing the proxy statement, proxy card and soliciting proxies. The Company will solicit proxies primarily by mail, but also may solicit proxies personally and by telephone, facsimile or other means. Officers and regular employees of the Company and its subsidiaries also may solicit proxies, but will receive no additional compensation for doing so, nor will their efforts result in more than a minimal cost to the Company. The Company also will reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their out-of-pocket expenses for forwarding solicitation material to beneficial owners of the Company s common stock.

Q: What other information is available about Meadowbrook Insurance Group, Inc.?

A: The Company maintains a corporate website, *www.meadowbrook.com*, where the Company makes available, free of charge, copies of its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after they are filed. In addition, the Company maintains the charters of its Governance and Nominating Committee, the Compensation Committee, the Audit Committee and the Capital Strategy and Investment Committee of the Board of Directors on its website, as well as the Company s Board Governance Guidelines, Compliance Code of Conduct and Business Ethics Policy. Printed copies of the above are available, free of charge, to any shareholder who requests this information.

Q: As a shareholder, what will I receive in the merger?

A: If the merger is completed, you will be entitled to receive $8.65 in cash, without interest and subject to any applicable withholding taxes, for each share of the Company s common stock you own as of immediately prior to the effective time of the merger.

The receipt of cash for shares of common stock of the Company pursuant to the merger generally will be a taxable transaction for U.S. federal income tax purposes. Please see the discussion in the section entitled The Merger Material U.S. Federal Income Tax Consequences of the Merger, beginning on page 54, for a more detailed description of the U.S. federal income tax consequences of the merger. You should consult your own tax advisor for a full understanding of how the merger will affect your U.S. federal, state, local and foreign taxes.

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Q: What will happen to the Company s outstanding equity compensation awards in the merger?

A: For information regarding the treatment of outstanding equity awards of the Company, see the section entitled The Merger Interest of Directors and Executive Officers in the Merger, beginning on page 47.

Q: How does the Board recommend that I vote on the proposals?

A: **Upon careful consideration, the Board recommends that at the Annual Meeting you vote FOR the proposal to adopt and approve the merger agreement and the merger, FOR the approval, by a non-binding advisory vote, of the compensation that may be paid or become payable to the Company s named executive officers that is based on or otherwise relates to the merger, FOR each of the nominees to the Board, FOR the ratification of the appointment of the independent registered public accounting firm, FOR the executive compensation of our named executives as disclosed in this Proxy Statement and FOR the proposal to adjourn the Annual Meeting if necessary or appropriate, including to solicit additional proxies.**

For a discussion of the factors that the Board considered in determining to recommend the adoption and approval of the merger agreement and the merger, please see the section entitled The Merger Reasons for Recommending the Adoption and Approval of the Merger Agreement and the Merger, beginning on page 34. In addition, in considering the recommendation of the Board with respect to the merger agreement, you should be aware that some of our directors and executive officers have interests that may be different from, or in addition to, the interests of the Company s shareholders generally. See the section entitled The Merger Interests of Directors and Executive Officers in the Merger, beginning on page 47.

Q: Why am I being asked to consider and cast a non-binding advisory vote to approve the compensation that may be paid or become payable to the Company s named executive officers that is based on or otherwise relates to the merger?

A: In 2011, the SEC adopted rules that require companies to seek a non-binding advisory vote to approve certain compensation that may be paid or become payable to their named executive officers that is based on or otherwise relates to corporate transactions such as the merger. In accordance with the rules promulgated under Section 14A of the Exchange Act, the Company is providing its shareholders with the opportunity to cast a non-binding advisory vote on compensation that may be paid or become payable to the Company s named executive officers in connection with the merger. For additional information, see the section entitled The Merger Interests of Directors and Executive Officers in the Merger, beginning on page 47.

Q: What will happen if the Company s shareholders do not approve the non-binding compensation advisory proposal?

A: The vote to approve the non-binding compensation advisory proposal is a vote separate and apart from the vote to adopt and approve the merger agreement and the merger and the other proposals to be voted on at the Annual Meeting. Approval of the non-binding compensation advisory proposal is not a condition to completion of the merger, and it is advisory in nature only, meaning that it will not be binding on the Company or Parent or any of their respective subsidiaries. Accordingly, if the merger agreement is adopted by the Company s shareholders and the merger is completed, the compensation of our named executive officers that is based on or otherwise relates to the merger is not expected to be revised even if this proposal is not approved.

Q: What happens if I sell my shares of the Company s common stock before the Annual Meeting?

A: The record date for the Annual Meeting is earlier than the expected date of the merger. If you own shares of the Company s common stock as of the close of business on the record date but transfer your shares prior to the Annual Meeting, you will retain your right to vote at the Annual Meeting, but the right to receive the merger consideration will pass to the person who holds your shares as of immediately prior to the effective time of the merger.

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Q: May I exercise dissenters rights or rights of appraisal in connection with the merger?

A: Yes. In order to exercise your appraisal rights, you must follow the requirements set forth in Section 450.1762 of the MBCA A copy of Section 450.1762 of the MBCA is included as Annex C to this proxy statement. For additional information, see the section entitled Dissenters Rights, beginning on page 72.

Q: If I hold my shares in certificated form, should I send in my stock certificates now?

A: No. Shortly after the merger is completed, you will be sent a letter of transmittal that includes detailed written instructions on how to return your stock certificates. You must return your stock certificates in accordance with such instructions in order to receive the merger consideration. **PLEASE DO NOT SEND IN YOUR STOCK CERTIFICATE(S) NOW**.

Q: When is the merger expected to be completed?

A: We currently anticipate that the merger will be completed during the second half of 2015, but we cannot be certain when or if the conditions to the merger will be satisfied or, to the extent permitted, waived. The merger cannot be completed until the conditions to closing are satisfied (or, to the extent permitted, waived), including the adoption and approval of the merger agreement and the merger by the Company s shareholders and the receipt of certain regulatory approvals, including certain insurance regulatory approvals. For additional information, see the section entitled The Agreement and Plan of Merger Conditions to the Merger, beginning on page 70.

Q: What happens if the merger is not completed?

A: If the proposal to adopt and approve the merger agreement and the merger is not approved by the holders of a majority of the outstanding shares of the Company s common stock entitled to vote on the matter or if the merger is not completed for any other reason, man">

(1) No other executive officer earned over $100,000 during the 2007 fiscal year.

(2) Joseph V. Ciaburri previously served as Chairman and CEO of Bancorp and the Bank until he resigned on June 30, 2007.

(3) Includes the value of 20,532 shares of common stock granted to Joseph V. Ciaburri contemporaneously with the cancellation of 115,500 options held by Joseph V. Ciaburri at the time of his resignation as Chairman and CEO of Bancorp and the Bank. The market price of the common stock on the date of grant was $7.30 per share.

(4) Represents the dollar value of the use of an automobile provided by Bancorp, including insurance and taxes paid thereon, of $14,881; gift of automobile, $38,644; and group term life insurance premiums paid by the Bank of $1,226; and a life insurance premium, for which policy Joseph V. Ciaburri is the beneficiary, paid by the Bank of $18,580.

(5) Represents the dollar value of the use of an automobile provided by Bancorp, including insurance and taxes paid thereon, of $23,581; the dollar value of club memberships of $15,772; and group term life insurance premiums paid by the Bank of $689; and a life insurance premium, for which policy Joseph V. Ciaburri is the beneficiary, paid by the Bank of $18,580.

(6) Michael M. Ciaburri previously served as President and CEO of Bancorp and the Bank until he resigned effective April 3, 2008.

(7) Includes the value of 3,000 shares of common stock held by Michael M. Ciaburri which vested on December 31, 2007. The market price of the common stock of Bancorp on December 31, 2007 was $7.45.

(8) Represents the dollar value of the use of an automobile provided by Bancorp, including insurance and taxes paid thereon, of $16,654; and group term life insurance premiums paid by the Bank of $450.

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(9) Represents the dollar value of the use of an automobile provided by Bancorp, including insurance and taxes paid thereon, of $14,730; the dollar value of club memberships of $5,290; and group term life insurance premiums paid by the Bank of $1,530.

(10) Mr. Howland was promoted to President effective April 3, 2008.

(11) Represents the dollar value of group term life insurance premiums paid by the Bank.

(12) Represents the dollar value of group term life insurance premiums paid by the Bank.

The Summary Compensation Table summarizes the total compensation paid for the fiscal year ended December 31, 2007 and 2006 to our named executive officers.

Employment and Change in Control Agreements

On February 8, 2008, Southern Connecticut Bancorp, Inc. and its subsidiary The Bank of Southern Connecticut (the "Company") entered into an employment agreement with John H. Howland effective January 1, 2008 (the "Agreement"). The following description of the Agreement is a summary of its material terms and does not purport to be complete, and is qualified in its entirety by reference to the Agreement which is filed as Exhibit 10.1 to the Company's report filed on Form 8-K on February 8, 2008.

Under the Agreement, Mr. Howland will serve as the Executive Vice President and Chief Operating Officer of the Company through December 31, 2009, unless the Company terminates the Agreement earlier under the terms of the Agreement. Mr. Howland will receive an annual base salary of $180,000 from January 1, 2008 to December 31, 2008 and $200,000 for the calendar year 2009. Mr. Howland will be eligible for salary increases and other merit bonuses at the discretion of the Company's board of directors.

Mr. Howland will receive 6,000 shares of restricted stock that will vest 50% on December 31, 2008 and 50% on December 31, 2009. Mr. Howland will be provided with health and life insurance, will be reimbursed for certain business expenses, and will be eligible to participate in the profit sharing or 401(k) plan of the Company (or its subsidiary).

If Mr. Howland's employment is terminated as a result of a "Business Combination" (as defined in the Agreement), Mr. Howland will, subject to certain conditions, be entitled to receive a lump sum payment in an amount equal to two times the total of the Employee's then current base annual salary plus the amount of any bonus for the prior calendar year in the event that the employee is not offered a position with the remaining entity at the Employee's then current base annual salary. Mr. Howland will also be entitled to a continuation of benefits under the Agreement for the balance of the unexpired term of his employment, which will be paid at his option as a lump sum payment or ratably over the balance of the unexpired term.

If Mr. Howland's employment is terminated for any reason (other than for cause, or as the result of his death or disability), he will be entitled to a continuation of benefits under the Agreement for the balance of the unexpired term of his employment, which will be paid at his option as a lump sum payment or ratably over the balance of the unexpired term.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The following table sets forth information concerning outstanding stock options as of December 31, 2007 held by the Named Executive Officers.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Exercise Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested ($)
Michael M. Ciaburri	23,100	0	0	$ 6.93	2/8/2013	0	$ -	0	$ -
	34,650	0	0	$ 7.58	12/9/2013	0	$ -	0	$ -
	10,500	0	0	$ 7.77	12/31/2014	0	$ -	0	$ -
						4,500	$ 31,500	0	$ -
John Howard Howland	20,000	0	0	$ 7.81	9/7/2015	0	$ -	0	$ -

The 2005 Stock Option and Award Plan

Bancorp adopted the Southern Connecticut Bancorp, Inc. 2005 Stock Option and Award Plan (the "2005 Stock Plan"). The purpose of the 2005 Stock Plan is to provide equity-based incentives to employees, officers and directors of Bancorp in order to attract them to, give them a proprietary interest in, and encourage them to remain in the employ or service of Bancorp. An aggregate of 150,000 shares of Bancorp's Common Stock is reserved for issuance upon the exercise of both incentive stock options and nonqualified stock options granted by Bancorp under the 2005 Stock Plan. All eligible employees and directors of Bancorp or any subsidiary of Bancorp, including the Bank, are eligible to receive options under the 2005 Stock Plan. The exercise price for each share for an incentive stock option may not be less than the fair market value of a share of Bancorp's Common Stock on the date of grant. Although the Plan does not prescribe a minimum option price for non-qualified stock options, it is the current intention of the Compensation Committee to grant non-qualified stock options at or above fair market value of a share of Bancorp's Common Stock

on the date of grant. Options under the 2005 Stock Plan have a term of 10 years unless otherwise determined at the time of grant.

Pursuant to the employment agreement entered into on February 8, 2008 with the President John H. Howland, the President will receive 6,000 shares of restricted stock that will vest in installments of 50% and 50% on December 31, 2008 and 2009, respectively, pursuant to this plan.

The Compensation Committee has broad authority under the 2005 Stock Plan with respect to awards granted under the 2005 Stock Plan, including, without limitation, the authority to:

- authorize the granting of shares of common stock or options under the 2005 Stock Plan;
- determine and designate the employees and directors of Bancorp to receive awards under the 2005 Stock Plan;
- determine the type, number, price, vesting requirements and other features and conditions of individual stock awards and options under the 2005 Stock Plan; and
- interpret the 2005 Stock Plan and the various written agreements made in connection with grants of shares of common stock or options thereunder.

The 2002 Stock Option Plan

Bancorp adopted the Southern Connecticut Bancorp, Inc. 2002 Stock Option Plan (the "2002 Plan"). The purpose of the 2002 Plan is to attract and retain the continued services of employees and directors of Bancorp and the Bank, encourage employees and directors to obtain or increase their stock ownership in Bancorp, and provide incentive compensation programs competitive with those of other similarly situated companies. An aggregate of 383,250 shares of Bancorp's Common Stock were reserved for issuance upon the exercise of both incentive stock options and nonqualified stock options granted by Bancorp under the 2002 Plan, which number has been adjusted to reflect a 10% stock dividend declared in January 2004 and a 5% dividend declared in April 2005. All eligible employees and directors of Bancorp or any subsidiary of Bancorp, including the Bank, are eligible to receive options under the 2002 Plan. The exercise price for each share covered by an option may not be less than the fair market value of a share of Bancorp's Common Stock on the date of grant. Options under the 2002 Plan have a term of 10 years unless otherwise determined at the time of grant. On December 22, 2005, the Compensation Committee of the Board of Directors approved the acceleration of all unvested options outstanding as of December 31, 2005, granted under the 2002 Plan. Pursuant to this acceleration of all unvested options, options to purchase 197,571 shares of Bancorp's Common Stock became immediately exercisable as of December 31, 2005.

The 2001 Stock Option Plan

Bancorp adopted the Southern Connecticut Bancorp, Inc. 2001 Stock Option Plan (the "Option Plan") in 2001 and it was approved by the sole shareholder of Bancorp in 2001. Under the Option Plan, an aggregate of 90,000 shares of Bancorp's Common Stock was reserved for issuance upon the exercise of options granted under the Option Plan. The Compensation Committee of the Board administers the Option Plan. The Board voted to terminate the Option Plan, except for outstanding options previously granted under that Option Plan, effective as of May 15, 2002.

Warrant Plans

Bancorp's Warrant Plans are described under the heading "Equity Compensation Plan Information" below.

DIRECTOR COMPENSATION

DIRECTOR COMPENSATION TABLE

Name (3)	Fees Earned or Paid in Cash ($) (1)	Stock Awards ($) (2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Carl R. Borrelli	$ 15,151	$ 2,734	$ -	$ -	$ -	$ -	$ 17,885
James S. Brownstein	1,900	-	-	-	-	-	1,900
Elmer F. Laydon	24,099	5,418	-	-	-	-	29,517
Louis A. Lubrano	2,105	1,186	-	-	-	-	3,291
Alfred J. Ranieri, Jr., MD	7,146	1,247	-	-	-	-	8,393
Juan Miguel Salas-Romer	11,248	1,543	-	-	-	-	12,791
Joshua H. Sandman	7,649	1,443	-	-	-	-	9,092
Alphonse F. Spadaro, Jr.	11,850	2,037	-	-	-	-	13,887
James D. Wherry	1,799	299	-	-	-	-	2,098

(1) Reflects fees earned by directors.
(2) Reflects the dollar amount recognized for financial statement reporting purposes for the year ended December 31, 2007 in accordance with Statement of Financial Accounting Standards (SFAS) No. 123 (R).
(3) Directors who are also Executive Officers of Bancorp are omitted as such individuals do not receive compensation for serving as Directors.

Effective January 1, 2007, Bancorp's non-employee directors were compensated in 50% cash and 50% stock as compensation for their service as directors. Directors who are employees of Bancorp or the Bank were not paid any fees or additional compensation for service as members of the Board of Directors or any committee of the Board. Directors of Bancorp and the Bank who are not employees of Bancorp or the Bank receive compensation in cash and stock as follows: the Vice Chairman on the Bancorp Board received $500 per month; each director received $300 for each board meeting attended, $400 for each board committee meeting chaired, and $200 for each board committee meeting attended. As of April 1, 2007, Bancorp's non-employee directors were compensated 100% in cash as compensation for their service as directors. Directors who are employees of Bancorp or the Bank were not paid any fees or additional compensation for service as members of the Board of Directors or any committee of the Board. Directors of Bancorp and the Bank who are not employees of Bancorp or the Bank receive compensation in cash and stock as follows: the Chairman received $700 per month; the Vice Chairman on the Bancorp Board received $500 per month; each director received $300 for each board meeting attended, $400 for each board committee meeting chaired, and $200 for each board committee meeting attended. Directors who sit on the Bancorp and Bank boards are compensated for only one meeting where a meeting of both boards or more than one committee is held jointly. The

price of the stock used to calculate the number of shares of stock is the average of the closing price on the first business day of the quarter and the closing price on the fifteenth day of the third month of the quarter or next business day thereafter.

As of December 31, 2007, non-employee directors have the following stock warrants and option awards outstanding:

Name	Stock Warrant Awards (#)	Option Awards (#)
Carl R. Borrelli	2,900	21,276
James S. Brownstein	1,733	-
Elmer F. Laydon	15,039	47,345
Alfred J. Ranieri, Jr., MD	6,497	18,538
Juan Miguel Salas-Romer	-	6,143
Joshua H. Sandman	6,497	14,938
Alphonse F. Spadaro, Jr.	4,573	14,203
James D. Wherry	-	39

The Bancorp maintains directors' and officers' liability insurance and Bancorp's by-laws provide for mandatory indemnification of directors and officers to the fullest extent permitted by Connecticut law. In addition, Bancorp's certificate of incorporation limits the liability of directors to Bancorp or its shareholders for breaches of directors' fiduciary duties to the fullest extent permitted by Connecticut law.

Equity Compensation Plan Information

The following schedule provides information with respect to the compensation plans (including individual compensation arrangements) under which equity securities of Bancorp are authorized for issuance as of December 31, 2007:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation Plans approved by security	319,075	$7.69	142,944

holders			
Equity Compensation Plan not approved by security holders (1)	77,184	$10.39	0
Total	396,259	$8.22	142,944

(1) Bancorp adopted a 2001 Warrant Plan and 2001 Supplemental Warrant Plan (collectively, the "Warrant Plans") on April 11, 2001 and October 16, 2001. Under the Warrant Plans, each director of Bancorp, other than Mr. Joseph V. Ciaburri, and each director of the Bank who was not a director of Bancorp, as of the initial public offering of Bancorp in July 2001, received a warrant to purchase one share of Bancorp Common Stock for each four shares purchased in the offering by such director or members of such director's immediate family. Under the 2001 Supplemental Warrant Plan, certain organizers of Bancorp who are not directors, officers or employees of Bancorp or the Bank but who made contributions to Bancorp or the Bank received a warrant to purchase one share of Bancorp Common Stock for each five shares purchased in the offering by such person or member of such person's immediate family. The warrants have a term of ten years. The exercise price of the warrants is $10.39, the price at which Bancorp's Common Stock was sold in the initial public offering, as adjusted for the January 2004 10% stock dividend and the April 2005 5% stock dividend. They became exercisable as to 40%, 30% and 30% of the shares covered thereby on the first, second and third anniversary of the closing of the initial public offering of Bancorp, respectively, and are accordingly all fully vested at this time.

REPORT BY THE AUDIT COMMITTEE

The Board, in its business judgment, has determined that each of the members of the Audit Committee is independent, in accordance with the applicable listing standards of the American Stock Exchange.

In performing its function, the Audit Committee has:

- reviewed and discussed the audited financial statements of Bancorp as of and for the year ended December 31, 2007 with management and with McGladrey & Pullen, LLP, Bancorp's independent auditors for the year ended December 31, 2007;

- discussed with Bancorp's independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as currently in effect; and

- received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as currently in effect, and has discussed with the independent auditors the independent auditor's independence. The Audit Committee has considered whether the provision of non-audit services by the independent accountants to Bancorp is compatible with maintaining the accountants' independence and has discussed with McGladrey & Pullen, LLP their independence.

Based on the foregoing review and discussions, the Audit Committee recommended to the Board that Bancorp's audited financial statements be included in its Annual Report on Form 10-KSB for the year ended December 31, 2007 for filing with the SEC.

THE 2007 AUDIT COMMITTEE

Alphonse F. Spadaro, Jr. (Chair)
Carl R. Borrelli
Elmer F. Laydon

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In the normal course of business, the Bank may grant loans to executive officers, directors, and members of their immediate families and to entities in which these individuals have more than ten percent (10%) equity ownership. Such loans are to be made in the ordinary course of business of the Bank on substantially the same terms, including interest rates and collateral requirements, as those then prevailing for comparable transactions with other persons and are not to involve more than the normal risk of collectibility or present other unfavorable features.

INDEPENDENT ACCOUNTANTS

The Audit Committee of the Board has selected its current independent accountants, McGladrey & Pullen, LLP, to audit the books, records and accounts of Bancorp for the year ending December 31, 2008.

The firm of McGladrey & Pullen, LLP has served as Bancorp's independent accountants since its organization and is considered to be well-qualified. Bancorp has been advised by McGladrey & Pullen, LLP that it has neither a direct financial interest nor any material indirect financial interest in Bancorp other than that arising from the firm's employment as independent accountants.

Representatives of McGladrey & Pullen, LLP will be present at the 2008 Annual Meeting and will be provided the opportunity to make a statement and to respond to appropriate questions which may be asked by shareholders.

McGladrey & Pullen, LLP performs both audit and non-audit professional services for and on behalf of Bancorp. During 2007, the audit services included an audit of the consolidated financial statements of Bancorp and a review of certain filings with the SEC. All professional services rendered by McGladrey & Pullen, LLP during 2007 were furnished at customary rates and terms.

The following table sets forth information regarding the aggregate fees for services rendered by McGladrey & Pullen, LLP for the fiscal years ended December 31, 2007 and 2006, respectively:

	2007	2006
Audit fees	$ 149,806	$ 145,157
Audit Related Fees	NONE	NONE
Tax fees	10,825	10,575
All Other fees	NONE	NONE

Audit fees consist of fees for professional services rendered for the audit of the consolidated financial statements, review of financial statements included in quarterly reports on Form 10-QSB, and services connected with statutory and regulatory filings or engagements. Audit related fees are principally for consultations on various accounting and reporting matters. Tax service fees consist of fees for tax return preparation for Bancorp.

The Audit Committee has established policies and procedures for the engagement of the independent auditor to provide non-audit services, including a requirement for approval in advance of all non-audit services to be provided by the independent auditor. To ensure that this does not restrict access to the independent accountant by management on matters where the advice and consultation of the independent auditor is sought by management and such advice or consultation, in the opinion of management, cannot practically be delayed pending preapproval by the audit committee, the committee authorizes management to use their judgment and retain the independent accountant for such matters and consider such services to be preapproved provided the estimated cost of such services does not exceed 5% of the annual fees paid to the independent accountant and such services are formally approved by the audit committee at its next meeting.

SHAREHOLDER NOMINATIONS AND PROPOSALS FOR 2009 ANNUAL MEETING

It is the policy of the Nominating Committee of the Board of Directors to consider director candidates who appear to be qualified to serve on Bancorp's Board of Directors and who are recommended by shareholders, using the same general criteria and in the same manner as candidates recruited by the Nominating Committee or recommended by board members. The Nominating Committee may choose not to consider an unsolicited recommendation if no vacancy exists on the Board of Directors and the Nominating Committee does not perceive a need to increase the size of the Board of Directors. To avoid the unnecessary use of the Nominating Committee's resources, the Nominating Committee will consider only those director candidates recommended in accordance with the procedures set forth below.

Shareholders entitled to vote for the election of directors at Bancorp's next year's Annual Meeting of Shareholders in 2009 ("2009 Annual Meeting") may make nominations of individuals for election to the Board. Such nominations shall be made in writing and shall be delivered or mailed and received by the Corporate Secretary of Bancorp not less than 60 or more than 90 calendar days prior to Bancorp's 2009 Annual Meeting, which is expected to be held on May 20, 2009.

Such written nominations shall contain the following information, to the extent known to the nominating shareholder: (1) the name, age, business and residence address of each proposed nominee; (2) the principal occupation or employment of each proposed nominee; (3) the total number of shares of Common Stock of Bancorp that are beneficially owned by each proposed nominee; (4) the name and address of the nominating shareholder; (5) the total number of shares of Common Stock of Bancorp owned by the nominating shareholder; (6) a representation that the shareholder is a holder of record of stock of Bancorp entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; and (7) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholders. Nominations by beneficial owners of Bancorp Common Stock who are not record holders must be accompanied by evidence satisfactory to the Corporate Secretary of Bancorp showing that such nominating persons are entitled to act with respect to such shares. Nominations that are not made in accordance with these procedures may be disregarded by the Chairperson of the meeting, in his or her discretion, and upon his or her instructions, the vote tellers may disregard all votes cast for such nominee.

Any proposal intended to be presented by a shareholder at Bancorp's 2009 Annual Meeting which is not a nomination to the Board must be presented to Bancorp in writing, and must be delivered to the Corporate Secretary of Bancorp not less than 60 nor more than 90 calendar days prior to Bancorp's 2009 Annual Meeting, which is expected to be held on May 19, 2009. Such notice shall include: (1) a brief description of the business desired to be brought before the Bancorp's 2009 Annual Meeting and the reasons for conducting such business at such meeting; (2) the name and address, as they appear on Bancorp's records, of the shareholder proposing such business; (3) the number of shares of Common Stock which are beneficially owned by the shareholder; and (4) any material interest of the shareholder in such business. Such proposals must comply with SEC Rule 14a-8. As the rules of the SEC make clear, simply submitting a proposal does not guarantee its inclusion.

Bancorp must receive proposals that shareholders seek to include in the proxy statement for the 2009 Annual Meeting no later than December 19, 2008. If the 2009 Annual Meeting is held on a date more than 30 calendar days from May 19, 2009, a shareholder proposal must be received by a reasonable time before Bancorp begins to print and mail its proxy solicitation for such annual meeting. Any shareholder proposals will be subject to the requirements of the proxy rules adopted by the Securities and Exchange Commission.

Pursuant to Rule 14a-4(c) of the Exchange Act, if a shareholder who intends to present a proposal at Bancorp's 2009 Annual Meeting does not notify us of such proposal on or prior to February 20, 2009, then management proxies would be allowed to use their discretionary voting authority to vote on the proposal when the proposal is raised at the 2009 Annual Meeting, even though there is no discussion of the proposal in the 2009 proxy statement.

Nominations and proposals should be addressed to Rosemarie A. Romano, Corporate Secretary, Southern Connecticut Bancorp, Inc., 215 Church Street, New Haven, Connecticut 06510. It is suggested that such nominations and proposals be sent by Certified Mail-Return Receipt Requested.

OTHER MATTERS

As of the date of this Proxy Statement, the Board knows of no other matters to be voted upon at the 2008 Annual Meeting. Because Bancorp did not receive advance notice of any shareholder proposal in accordance with the time limit specified in Rule 14a-4(c) under the Exchange Act, it will have discretionary authority to vote on any shareholder proposal presented at the 2008 Annual Meeting. If any other matters properly come before the 2008 Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote the proxy in accordance with their judgment on such matters.

ANNUAL REPORT ON FORM 10-KSB

BANCORP IS MAILING TO EACH PERSON ENTITLED TO VOTE AT THE 2008 ANNUAL MEETING A COPY OF ITS ANNUAL REPORT ON FORM 10-KSB, FOR THE YEAR ENDED DECEMBER 31, 2007, INCLUDING THE FINANCIAL STATEMENTS, ALONG WITH THIS PROXY STATEMENT AND THE ENCLOSED PROXY, ON OR ABOUT April 22, 2008. UPON THE REQUEST OF ANY PERSON WHOSE PROXY IS BEING SOLICITED HEREBY, BANCORP WILL PROVIDE COPIES OF THE FORM 10-KSB, INCLUDING THE FINANCIAL STATEMENTS AND EXHIBITS THERETO. SUCH REQUESTS MAY BE MADE BY CALLING US AT (203) 782-1100 OR BY WRITING TO US AT 215 CHURCH STREET, NEW HAVEN, CONNECTICUT 06510, ATTN.: ROSEMARIE A. ROMANO, CORPORATE SECRETARY. SHAREHOLDERS SHARING AN ADDRESS WHO ARE RECEIVING MULTIPLE COPIES OF BANCORP'S ANNUAL REPORT AND PROXY STATEMENT AND WHO WISH TO RECEIVE ONLY ONE COPY OF THESE MATERIALS AT THEIR ADDRESS CAN SO REQUEST BY CONTACTING US AT THE SAME TELEPHONE NUMBER AND ADDRESS.

By Order of the Board of Directors

/s/ John H. Howland
John Howard Howland
President and Chief Operating Officer

New Haven, Connecticut
April 22, 2008

[X] PLEASE MARK VOTES AS IN THIS EXAMPLE

REVOCABLE PROXY
SOUTHERN CONNECTICUT BANCORP, INC.

PROXY SOLICITED ON BEHALF OF BOARD OF DIRECTORS FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 20, 2008

The undersigned hereby appoints James S. Brownstein, Esq. and Janette J. Parker as proxies for the undersigned with full powers of substitution to vote all shares of the Common Stock, par value $0.01 (the "Common Stock"), of Southern Connecticut Bancorp, Inc. ("Bancorp") which the undersigned may be entitled to vote at the Annual Meeting of Shareholders ("2008 Annual Meeting") of Bancorp to be held at The Quinnipiack Club, 221 Church Street, New Haven, Connecticut 06510, at 10:00 A.M., on May 20, 2008 or any adjournment thereof as follows:

	For	With-hold	For All Except
1. Election of directors. Proposal to elect	[ ]	[ ]	[ ]

Carl R. Borelli, (Class I)
Alphonse F. Spadaro, Jr. (Class I)

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

In their discretion the proxies are authorized to vote upon such other business as may properly come before the 2008 Annual Meeting, or any adjournment thereof.

The undersigned acknowledges receipt of the Notice of the 2008 Annual Meeting, the Proxy Statement and Bancorp's annual report on Form 10-KSB.

PLEASE CHECK BOX IF YOU PLAN TO ATTEND THE MEETING. -> [ ]

Please be sure to sign and date this Proxy in the box below.

Date

Shareholder sign above

Co-holder (if any) sign above

^ Detach above card, sign, date and mail in postage paid envelope provided. ^

SOUTHERN CONNECTICUT BANCORP, INC.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE SHAREHOLDER. IF NO DIRECTION IS SPECIFIED, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES LISTED IN PROPOSAL 1.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, trustee, guardian or for a corporation, please give your full title as such. If shares are owned jointly, both owners should sign.

PLEASE ACT PROMPTLY
SIGN, DATE & MAIL YOUR PROXY CARD TODAY

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.

_____
_____
_____