

CNA SURETY CORP
Form SC TO-C
November 18, 2010

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

**SCHEDULE TO
Tender Offer Statement under Section 14(d)(1) or 13(e)(1)
of the Securities Exchange Act of 1934**

CNA Surety Corporation
(Name of Subject Company (Issuer))

CNA Financial Corporation
(Names of Filing Persons (Offeror))

Common Stock, \$.01 par value
(Title of Class of Securities)

12612L1008
(CUSIP Number of Class of Securities)

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*(Name, address, and telephone numbers of person
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on behalf of filing persons)*

With a copy to:

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Check box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes to designate any transactions to which this statement relates:

third party tender offer subject to Rule 14d-1 going-private transaction subject to Rule 13e-3

issuer tender offer subject to Rule 13e-4 amendment to Schedule 13D under Rule 13d-2

Check the following box if the filing is a final amendment reporting the results of the tender offer.

Excerpt: Craig Mense Remarks, Citigroup Global Markets, Inc.
2010 Credit Conference Held November 18, 2010

[...]

Question from audience

My question was how would you benefit from buying in the Surety business? How would you run it differently? What do you see as the strategic opportunities there?

Answer Craig Mense

Well, recall that we just announced that transaction so there's not a whole lot I can say about this, because remember this is a minority buy-in, but in our view we thought it was just kind of a natural next step for CNA to take. Having completed the.... or we could foresee the completion of the Loews preferred redemption, or... we thought it offered compelling benefits for shareholders of both companies. For the Surety shareholders it offers an opportunity to monetize.... for the minority shareholders an opportunity to monetize their investment at a pretty substantial premium to the price of the stock the day before our offer, as well as the historical stock price. Our \$22 a share offer was a 14% premium to the day before price and was a.... was also at that price about one point... a little less than 1.2 times tangible book value per share ex unrealized gain / loss actually it was 1.17 times. So we thought it was an attractive price offered and premium to minority shareholders. For CNA it came at a time where we could both fund that acquisition and repay the last bit of Loews preferred with internally generated funds. And for us it was a chance to further invest in a business that we knew well and we think the companies.... we think Surety trades better and more consistently going forward with a bigger, more highly diversified....bigger balance sheet, more highly diversified balance sheet. So that was really kind of the benefit. We thought it made strategic sense for both companies going forward. And it was also part of our effort to really simplify the place.

[...]

Additional Information and Where to Find It

This communication is not an offer to purchase or a solicitation of an offer to sell any securities. Any solicitation or offer will only be made through materials filed with the SEC. CNA Surety stockholders and other interested parties are urged to read these materials when they become available because they will contain important information. CNA Surety stockholders will be able to obtain such documents (when available) free of charge at the SEC's web site, www.sec.gov. CNA Surety stockholders will also be able to obtain these documents that are filed by CNA (when available) for free from CNA at www.cna.com or at 333 South Wabash Avenue, Chicago, Illinois 60604.

Forward-Looking Statements

This communication may include statements which relate to anticipated future events (forward-looking statements) rather than actual present conditions or historical events. These statements generally include words such as "believes", "expects", "intends", "anticipates", "estimates", and similar expressions. Forward-looking statements, by their nature, are subject to a variety of inherent risks and uncertainties that could cause actual results to differ materially from the results projected. Many of these risks and uncertainties cannot be controlled by CNA and include the possibility that negotiations with the special committee of CNA Surety may not be successful and the possibility that the transaction may not be completed on the terms described in this communication or at all, including as a result of changes in the business or prospects of CNA Surety. For a detailed description of other risks and uncertainties affecting CNA, please refer to CNA's filings with the Securities and Exchange Commission, available at www.cna.com.

Any forward-looking statements made in this presentation are made by CNA as of the date of this communication.

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