

Specialty Underwriters Alliance, Inc.
Form DFAN14A
April 03, 2009

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 ..

Filed by a Party other than the Registrant x

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

Specialty Underwriters' Alliance, Inc.
(Name of Registrant as Specified in Its Charter)

Hallmark Financial Services, Inc.
American Hallmark Insurance Company of Texas
Hallmark Specialty Insurance Company

Mark E. Schwarz

C. Gregory Peters
Mark E. Pape
Robert M. Fishman

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act 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:

(5) Total fee paid:

.. Fee paid previously with preliminary materials:

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

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

The following materials were posted by Hallmark Financial Services, Inc. to <http://www.suaitownhall.com>:

Important Notice

This website may contain forward-looking statements. These statements may be identified by the use of forward-looking terminology such as the words “expects,” “intends,” “believes,” “anticipates” and other terms with similar meaning indicating possible future events or actions relating to the business or stockholders of Specialty Underwriters’ Alliance, Inc. (“SUAI”). These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties include, among others, the ability to successfully solicit sufficient proxies to elect the director nominees (the “Nominees”) of Hallmark Financial Services, Inc. (“Hallmark”) to the SUAI board of directors at the 2009 Annual Meeting of Stockholders of SUAI (the “Annual Meeting”), the ability of the Nominees to improve the corporate governance and performance of SUAI and risk factors associated with the business of SUAI, as described in SUAI’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008, and in other periodic reports of SUAI, which are available at no charge at the website of the Securities and Exchange Commission at <http://www.sec.gov>. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results.

This website may be deemed to constitute proxy solicitation material and is intended solely to inform stockholders so that they may make an informed decision regarding the election of directors at the Annual Meeting.

HALLMARK, TOGETHER WITH THE OTHER PARTICIPANTS (AS DEFINED BELOW), HAS MADE A PRELIMINARY FILING WITH THE SECURITIES AND EXCHANGE COMMISSION (“SEC”) OF A PROXY STATEMENT AND ACCOMPANYING PROXY CARD TO BE USED TO SOLICIT VOTES FOR THE ELECTION OF ITS SLATE OF DIRECTOR NOMINEES AT THE ANNUAL MEETING.

HALLMARK STRONGLY ADVISES ALL SUAI STOCKHOLDERS TO READ THE PROXY STATEMENT BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. SUCH PROXY STATEMENT IS AVAILABLE AT NO CHARGE ON THE SEC’S WEBSITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov). IN ADDITION, THE PARTICIPANTS IN THE SOLICITATION WILL PROVIDE COPIES OF THE PROXY STATEMENT WITHOUT CHARGE UPON REQUEST. REQUESTS FOR COPIES SHOULD BE DIRECTED TO THE PARTICIPANTS’ PROXY SOLICITOR.

THE PARTICIPANTS IN THE PROXY SOLICITATION ARE HALLMARK FINANCIAL SERVICES, INC., AMERICAN HALLMARK INSURANCE COMPANY OF TEXAS (“AHIC”), HALLMARK SPECIALTY INSURANCE COMPANY (“HSIC”), MARK E. SCHWARZ, C. GREGORY PETERS, MARK E. PAPE, AND ROBERT M. FISHMAN (COLLECTIVELY, THE “PARTICIPANTS”). INFORMATION ABOUT THE PARTICIPANTS ARE SET FORTH IN THE PROXY STATEMENT FILED BY HALLMARK WITH THE SEC. HALLMARK MAY BE DEEMED TO BENEFICIALLY OWN 1,429,615 SHARES OF COMMON STOCK OF SUAI, REPRESENTING APPROXIMATELY 9.9% OF THE OUTSTANDING SHARES OF COMMON STOCK, AS FOLLOWS: (I) 21,000 SHARES OF COMMON STOCK ARE OWNED DIRECTLY BY HALLMARK, (II) 1,308,615 SHARES OF COMMON STOCK ARE OWNED DIRECTLY BY AHIC AND (III) 100,000 SHARES OF COMMON STOCK ARE OWNED DIRECTLY BY HSIC. AS THEIR PARENT COMPANY, HALLMARK MAY BE DEEMED TO BENEFICIALLY OWN THE SHARES OF COMMON STOCK OWNED BY AHIC AND HSIC. AS THE EXECUTIVE CHAIRMAN OF HALLMARK WITH VOTING AND DISPOSITIVE POWER OVER HALLMARK’S, AHIC’S AND HSIC’S PORTFOLIO OF SECURITIES, MR. SCHWARZ MAY BE DEEMED TO BENEFICIALLY OWN THE 1,429,615 SHARES OF COMMON STOCK OF SUAI OR APPROXIMATELY 9.9% OF THE ISSUED AND OUTSTANDING SHARES OWNED IN THE AGGREGATE BY HALLMARK, AHIC AND HSIC. CURRENTLY, MESSRS. PETERS, PAPE AND FISHMAN DO NOT DIRECTLY OWN ANY

SECURITIES OF SUAI. AS MEMBERS OF A "GROUP" FOR THE PURPOSES OF RULE 13D-5(B)(1) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, EACH OF THE PARTICIPANTS MAY BE DEEMED TO BENEFICIALLY OWN THE 1,429,615 SHARES BENEFICIALLY OWNED BY HALLMARK. EACH OF THE PARTICIPANTS DISCLAIMS BENEFICIAL OWNERSHIP OF THE SHARES HE/IT DOES NOT DIRECTLY OWN.

This communication is not a solicitation of a proxy, which may be done only pursuant to a definitive proxy statement.

[Agree] I have read and agree to the terms of this website.*

[Disagree] I disagree (You will not gain access to this website without agreeing to the above terms).*

*This site requires that Active Scripting be enabled for javascript use.

Welcome to the SUAI Town Hall

As the second largest stockholder of Specialty Underwriters' Alliance, Inc. (Nasdaq: SUAI), Hallmark Financial Services strongly believes that significant improvements are needed at SUAI: better financial performance, improvements in the company's strategy and business model, stronger corporate governance and Board accountability to stockholders. Hallmark beneficially owns approximately 9.9% of SUAI's outstanding common stock.

Accordingly, Hallmark has nominated a slate of highly qualified nominees for election to SUAI's Board of Directors at the company's Annual Meeting of Stockholders scheduled to be held on May 5, 2009. Hallmark's nominees are Robert M. Fishman, Mark E. Pape and C. Gregory Peters. Hallmark strongly believes that the interests of all SUAI stockholders would benefit from these highly qualified, truly independent director nominees and further believes these nominees possess the right combination of skills and experience to work with the other members of the SUAI Board to make the decisions necessary for restoring and enhancing stockholder value at SUAI.

Hallmark seeks your support to elect its nominees to replace three current members of SUAI's seven-member Board at SUAI's May 5th Annual Meeting. Hallmark invites you to read the materials on this SUAI Town Hall website to learn more about Hallmark's campaign at SUAI and how you can help.

Hallmark Financial Services Files Preliminary Proxy Statement to Elect its Nominees to the Board of Directors of Specialty Underwriters' Alliance

FORT WORTH, Texas, March 18, 2009 (GLOBE NEWSWIRE) -- Hallmark Financial Services, Inc. (NASDAQ:HALL) announced today that it has filed with the U.S. Securities and Exchange Commission a preliminary proxy statement in connection with its nomination of independent directors to replace three members of the board of directors of Specialty Underwriters' Alliance, Inc. (NASDAQ:SUAI) at SUAI's 2009 Annual Meeting of Stockholders to be held on May 5, 2009. Hallmark's three nominees are Robert M. Fishman, Mark E. Pape and C. Gregory Peters.

As the second largest stockholder in SUAI, Hallmark strongly believes there is a need for improved governance and stockholder representation on the board of SUAI. Hallmark believes that the interests of all SUAI stockholders would benefit from its highly qualified, truly independent director nominees that possess a wealth of property and casualty insurance industry expertise. Hallmark beneficially owns approximately 9.9% of SUAI's outstanding common stock.

Background

As previously disclosed, on June 16, 2008, Hallmark delivered to SUAI's board of directors a proposal to acquire SUAI in a stock-for-stock transaction (the "Proposal"). SUAI responded through a public announcement on June 26, 2008 that its board of directors had unanimously rejected the Proposal. On July 1, 2008, Hallmark then delivered to SUAI's board of directors a letter reaffirming the Proposal (the "July 1 Letter"). In the July 1 Letter, Hallmark stated that it was committed to its Proposal and strongly believed that the Proposal offered significant and compelling benefits to SUAI's stockholders, and reiterated that its senior management stood ready to meet with the members of the SUAI board and answer any questions concerning the Proposal. Copies of each of the Proposal and the July 1 Letter are exhibits to Hallmark's Schedule 13D/A for SUAI filed on July 1, 2008 and can be obtained on the SEC's website at <http://www.sec.gov>. For each of the Proposal and the July 1 Letter, the offer price in Hallmark stock in the proposed transaction represented a substantial premium to the then most recent closing price of SUAI common stock as well as its 30 day trailing average price. Nevertheless, on July 2, 2008, SUAI publicly reaffirmed its rejection of Hallmark's proposal. Then, on August 5, 2008, SUAI's board proceeded to adopt certain "defensive" amendments to the company's bylaws, including bylaws eliminating stockholders' rights to fill vacancies on the board and to call special meetings and adding advance notice provisions for board nominations by stockholders. The bylaw amendments were disclosed concurrently with the disclosure of the complete terms of new employment and change of control agreements which provide for the payment of substantial sums to SUAI executives in the event they depart the company in certain circumstances, including following a change of control of SUAI.

The Hallmark Nominees

C. Gregory Peters served as Senior Vice President, Equity Research at Raymond James and Associates from November 1999 through June 2007, where Mr. Peters was responsible for launching Raymond James' sell-side research practice for the insurance industry and served as its lead analyst for property and casualty companies.

Mark E. Pape served as Executive Vice President and Chief Financial Officer at Affirmative Insurance Holdings, Inc. from November 2005 through December 2007 and served on Affirmative's Board of Directors from July 2004 through November 2005. Mr. Pape also held positions at Torchmark Corporation and American Income Holding, Inc.

Robert M. Fishman served as Managing Director of Southwest Insurance Partners, Inc. in 2008 and, from November 2006 through May 2007, was the Chief Executive Officer and President of United America Indemnity Ltd. Mr. Fishman also held senior positions at ARAG NA and Zurich Financial Services.

ADDITIONAL INFORMATION CONCERNING PARTICIPANTS

HALLMARK, TOGETHER WITH THE OTHER PARTICIPANTS (AS DEFINED BELOW), HAS MADE A PRELIMINARY FILING WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") OF A PROXY STATEMENT AND ACCOMPANYING PROXY CARD TO BE USED TO SOLICIT VOTES FOR THE ELECTION OF ITS SLATE OF DIRECTOR NOMINEES AT THE 2009 ANNUAL MEETING OF STOCKHOLDERS OF SUAI.

HALLMARK STRONGLY ADVISES ALL SUAI STOCKHOLDERS TO READ THE PROXY STATEMENT BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. SUCH PROXY STATEMENT IS AVAILABLE AT NO CHARGE ON THE SEC'S WEBSITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov). IN ADDITION, THE PARTICIPANTS IN THE SOLICITATION WILL PROVIDE COPIES OF THE PROXY STATEMENT WITHOUT CHARGE UPON REQUEST. REQUESTS FOR COPIES SHOULD BE DIRECTED TO THE PARTICIPANTS' PROXY SOLICITOR.

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Hallmark Financial Services Announces Slate of Director Nominees for Specialty Underwriters' Alliance

FORT WORTH, Texas, January 14, 2009 (GLOBE NEWSWIRE) -- Hallmark Financial Services, Inc. (NASDAQ:HALL) announced today that it has notified Specialty Underwriters' Alliance, Inc. (NASDAQ:SUAI) of Hallmark's intention to nominate C. Gregory Peters, Mark E. Pape and Robert M. Fishman for election to the board of directors at SUAI's 2009 Annual Meeting of Stockholders. Hallmark beneficially owns approximately 9.9% of SUAI's outstanding common stock. As the second largest stockholder in SUAI, Hallmark strongly believes in a need for improved governance and stockholder representation on the board of SUAI. Hallmark believes that the interests of all SUAI stockholders will benefit from these highly qualified, truly independent, director nominees that possess a wealth of property and casualty insurance industry expertise.

Background

As previously disclosed, on June 16, 2008, Hallmark delivered to SUAI's board of directors a proposal to acquire SUAI in a stock-for-stock transaction (the "Proposal"). SUAI responded through a public announcement on June 26, 2008 that its board of directors had unanimously rejected the Proposal. On July 1, 2008, Hallmark then delivered to SUAI's board of directors a letter reaffirming the Proposal (the "July 1 Letter"). In the July 1 Letter, Hallmark stated that it was committed to its Proposal and strongly believed that the Proposal offered significant and compelling benefits to SUAI's stockholders, and reiterated that its senior management stood ready to meet with the members of the SUAI board and answer any questions concerning the Proposal. Copies of each of the Proposal and the July 1 Letter are exhibits to Hallmark's Schedule 13D/A for SUAI filed on July 1, 2008 and can be obtained on the SEC's website at <http://www.sec.gov>. For each of the Proposal and the July 1 Letter, the offer price in Hallmark stock in the proposed transaction represented a substantial premium to the then most recent closing price of SUAI common stock as well as its 30 day trailing average price. Nevertheless, on July 2, 2008, SUAI publicly reaffirmed its rejection of Hallmark's proposal. Then, on August 5, 2008, SUAI's board proceeded to adopt certain "defensive" amendments to the company's bylaws, including bylaws eliminating stockholders' rights to fill vacancies on the board or to call special meetings and adding advance notice provisions for board nominations by stockholders.

The Hallmark Nominees

C. Gregory Peters served as Senior Vice President, Equity Research at Raymond James and Associates from November 1999 through June 2007, where Mr. Peters was responsible for launching Raymond James' sell-side research practice for the insurance industry and served as its lead analyst for property and casualty companies.

Mark E. Pape served as Executive Vice President and Chief Financial Officer at Affirmative Insurance Holdings, Inc. from November 2005 through December 2007 and served on Affirmative's Board of Directors from July 2004 through November 2005. Mr. Pape also held positions at Torchmark Corporation and American Income Holding, Inc.

Robert M. Fishman served as Managing Director of Southwest Insurance Partners, Inc. in 2008 and, from November 2006 through May 2007, was the Chief Executive Officer and President of United America Indemnity Ltd. Mr. Fishman also held senior positions at ARAG NA and Zurich Financial Services.

ADDITIONAL INFORMATION CONCERNING PARTICIPANTS

HALLMARK, TOGETHER WITH THE OTHER PARTICIPANTS (AS DEFINED BELOW), INTENDS TO MAKE A PRELIMINARY FILING WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") OF A PROXY STATEMENT AND ACCOMPANYING PROXY CARD TO BE USED TO SOLICIT VOTES FOR THE ELECTION OF ITS SLATE OF DIRECTOR NOMINEES AT THE 2009 ANNUAL MEETING OF STOCKHOLDERS OF SUAI.

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THE PARTICIPANTS IN THE PROXY SOLICITATION ARE ANTICIPATED TO BE HALLMARK FINANCIAL SERVICES, INC., AMERICAN HALLMARK INSURANCE COMPANY OF TEXAS (“AHIC”), HALLMARK SPECIALTY INSURANCE COMPANY (“HSIC”), C. GREGORY PETERS, MARK E. PAPE AND ROBERT M. FISHMAN (COLLECTIVELY, THE “PARTICIPANTS”). INFORMATION ABOUT THE PARTICIPANTS WILL BE SET FORTH IN THE PROXY STATEMENT FILED BY HALLMARK WITH THE SEC. HALLMARK MAY BE DEEMED TO BENEFICIALLY OWN 1,429,615 SHARES OF COMMON STOCK OF SUAI, REPRESENTING APPROXIMATELY 9.9% OF THE OUTSTANDING SHARES OF COMMON STOCK, AS FOLLOWS: (I) 21,000 SHARES OF COMMON STOCK ARE OWNED DIRECTLY BY HALLMARK, (II) 1,308,615 SHARES OF COMMON STOCK ARE OWNED DIRECTLY BY AHIC AND (III) 100,000 SHARES OF COMMON STOCK ARE OWNED DIRECTLY BY HSIC. AS THEIR PARENT COMPANY, HALLMARK MAY BE DEEMED TO BENEFICIALLY OWN THE SHARES OF COMMON STOCK OWNED BY AHIC AND HSIC. CURRENTLY, MESSRS. PETERS, PAPE AND FISHMAN DO NOT DIRECTLY OWN ANY SECURITIES OF SUAI. AS MEMBERS OF A “GROUP” FOR THE PURPOSES OF RULE 13D-5(B)(1) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, EACH OF THE PARTICIPANTS MAY BE DEEMED TO BENEFICIALLY OWN THE 1,429,615 SHARES BENEFICIALLY OWNED BY HALLMARK. EACH OF THE PARTICIPANTS DISCLAIMS BENEFICIAL OWNERSHIP OF THE SHARES HE/IT DOES NOT DIRECTLY OWN.

Nominees

Robert M. Fishman (Age 59)

Robert M. Fishman has been self-employed as an insurance industry consultant since January 2009. From January 2008 through January 2009, Mr. Fishman served as Managing Director of Southwest Insurance Partners, Inc., an investment company with operating subsidiaries in the property & casualty and life, accident & health insurance sectors. From November 2006 through May 2007, Mr. Fishman served as the Chief Executive Officer and President of United America Indemnity Ltd., a provider of specialty property and casualty insurance and reinsurance. From October 2005 through December 2006, Mr. Fishman served as the Chief Executive Officer and President of ARAG NA, the U.S. subsidiary of the ARAG Group, a leading provider of legal insurance. From July 2004 through September 2004, Mr. Fishman was the President of the insurance operations for Quanta Holdings Co., a provider of specialty insurance and reinsurance. From January 1994 through June 2004, Mr. Fishman was employed by Zurich Financial Services, where he served as Executive Vice President and Chief Underwriting Officer starting January 2001. Prior to that time, Mr. Fishman also served as Chief Executive Officer of Zurich's Diversified Products Division (1999 through 2001) and Executive Vice President of the Zurich Specialty Division (1994 through 1999). Prior to that time, among other positions, Mr. Fishman held positions at Lexington Insurance Company and Progressive Corporation. Mr. Fishman was self-employed as an insurance industry consultant from May 2007 through January 2008 and from September 2004 through October 2005.

Mark E. Pape (Age 58)

Mark E. Pape has served as a partner at Tatum LLC, an executive services firm, since August 2008. From November 2005 through December 2007, Mr. Pape served as Executive Vice President and Chief Financial Officer at Affirmative Insurance Holdings, Inc., a property and casualty insurance company specializing in non-standard automobile insurance. Mr. Pape also served on Affirmative's board of directors and its audit committee from July 2004 through November 2005. Mr. Pape served as Chief Financial Officer of HomeVestors of America, Inc., a franchisor of home acquisition services, from September 2005 through November 2005. He served as President and Chief Executive Officer of R.E. Technologies, Inc., a provider of software tools to the apartment industry, from April 2002 through May 2005. He served as Senior Vice President and Chief Financial Officer of LoanCity.com, a start up e-commerce mortgage bank, from May 1999 through June 2001. Prior to that time, among other positions, Mr. Pape has served as Vice President, Strategic Planning for Torchmark Corporation, a life and health insurance holding company, Executive Vice President and Chief Financial Officer of American Income Holding, Inc., a life insurance holding company, and as an investment banker. Mr. Pape was self-employed as an insurance industry consultant from December 2007 through August 2008 and from May 2005 through September 2005.

C. Gregory Peters (Age 42)

C. Gregory Peters has served as Senior Vice President of Southwest Insurance Partners, Inc., an investment company with operating subsidiaries in the property & casualty and life, accident & health insurance sectors, since March 2009. From July 2008 through March 2009, he served as the President and Chief Executive Officer of Remote Knowledge, Inc., a provider of satellite-based high speed broadband equipment and services to the maritime industry. From June 2007 through July 2008, Mr. Peters served as the President of Muragai, LLC, a private investment company specializing in acquisitions in the insurance industry. From November 1999 through June 2007, Mr. Peters was Senior Vice President, Equity Research at Raymond James and Associates, where Mr. Peters launched the firm's sell-side research practice for the insurance industry and was the lead analyst for property and casualty companies. Prior to Raymond James, Mr. Peters covered the insurance industry as a research analyst for ABN Amro and Kemper Securities.

SENT VIA FAX TO (312) 277-1801

March 26, 2009

Courtney C. Smith
Chairman, President and CEO
Specialty Underwriters' Alliance, Inc.
222 S. Riverside Plaza, Suite 1600
Chicago, IL 60606

Dear Courtney,

Thank you for agreeing to meet with me on March 2, 2009. I appreciate having had the opportunity to discuss a variety of matters related to Specialty Underwriters' Alliance, Inc. ("SUA") and Hallmark Financial Services, Inc. ("Hallmark") with you and Scott Goodreau, SUA's Senior Vice President and General Counsel.

During the course of our meeting you posed the question: why did Hallmark feel a need to nominate an alternative slate of directors for election at SUA's upcoming stockholder meeting? I responded: the Hallmark nominees are highly qualified candidates that will do a terrific job representing the interests of all SUA stockholders. In response, you introduced the idea of arranging a meeting between me and the incumbent SUA directors so that I might access their capabilities and share my views regarding SUA with them.

I am writing to you today to formally confirm my interest in meeting with the SUA directors as you suggested. In order to facilitate such a meeting, I commit to making myself available in person to meet with the incumbent directors at any location that is convenient for them.

I look forward to hearing from you.

Very truly yours,

/s/ Mark E. Schwarz

Mark E. Schwarz

cc: Mr. Peter E. Jokiell, Executive Vice President and Chief Financial Officer, Director
cc: Mr. Robert E. Dean, Director
cc: Mr. Raymond C. Groth, Director
cc: Mr. Paul A. Philip, Director
cc: Mr. Robert H. Whitehead, Director
cc: Mr. Russell E. Zimmermann, Director

July 1, 2008

Mr. Courtney C. Smith, Chairman, President and Chief Executive Officer
Mr. Peter E. Jokiel, Executive Vice President and Chief Financial Officer, Director
Mr. Robert E. Dean, Director
Mr. Raymond C. Groth, Director
Mr. Paul A. Philip, Director
Mr. Robert H. Whitehead, Director
Mr. Russell E. Zimmermann, Director
Specialty Underwriters' Alliance Inc.
222 South Riverside Plaza
Chicago, IL 60606

To: the Board of Directors of Specialty Underwriters' Alliance Inc.

I am writing to reaffirm the written proposal by Hallmark Financial Services, Inc. ("Hallmark") to acquire all of the outstanding stock of Specialty Underwriters' Alliance Inc. ("SUAI") delivered in person to Courtney Smith at our dinner meeting on June 16.

Hallmark remains committed to our proposal to acquire SUAI in a stock-for-stock transaction and strongly believes that our proposal offers significant and compelling benefits to SUAI shareholders. Our offer price of \$6.50 in Hallmark stock for each outstanding share of SUAI represents a significant 37% premium to SUAI's trailing 30-day average closing price of \$4.74 per share on Friday, June 13, the day prior to delivery of our proposal.

Hallmark is deeply disappointed by SUAI's June 26 publicly-stated response to our proposal: "After due deliberation, the SUAI Board unanimously concluded not to accept this offer".

In our June 16 written proposal, we requested a meeting with SUAI's Board of Directors and/or management as soon as possible to discuss our proposal. Beginning on June 17, numerous attempts to speak to you and your advisors went unanswered.

How is it possible that, on behalf of SUAI shareholders, the Board fully and fairly considered Hallmark's proposal while at the same time refusing to engage us in any dialogue? If the Board is truly endeavoring to act in the best interests of its shareholders, why deny yourselves the benefit of having all information available before making an important decision? There is no possible downside, only upside.

In your June 26 press release you state SUAI's unanimous conclusion to "remain independent and continue with the execution of its current business strategy, which the Board believes represents a better long-term value for the company's shareholders". We again question: How is it conceivable to arrive at this conclusion without a willingness to engage in discussions with Hallmark regarding the merits of its proposal.

Hallmark reiterates its wish to enter into constructive dialogue with SUAI to achieve a friendly combination that we believe will be a win-win outcome for SUAI shareholders:

1. SUAI shareholders will receive an immediate significant 37% premium to SUAI's trailing 30-day average closing price as of Friday, June 13.
2. SUAI shareholders' upside potential will not be capped. SUAI shareholders will retain a continuing ownership interest in Hallmark and will benefit from any future gains in Hallmark shares.

As the largest SUAI shareholder, with beneficial ownership of 1,429,615 shares representing 9.7% of the common stock outstanding, we ask that you not summarily dismiss our proposal and deny your shareholders this truly outstanding opportunity. Hallmark is a bona fide buyer, without a financing contingency, and requires no unusual conditions to close. Our proposal is a firm proposal, subject only to confirmatory due diligence, the negotiation of a mutually satisfactory definitive agreement and customary shareholder and regulatory approvals.

As stated previously, Hallmark's senior management stands ready to meet with you and answer any questions concerning our proposal. We look forward to hearing from you.

Very truly yours,

/s/ Mark E. Schwarz

Mark E. Schwarz
Executive Chairman
Hallmark Financial Services, Inc.

June 16, 2008

Mr. Courtney C. Smith, Chairman, President and Chief Executive Officer
Mr. Peter E. Jokiel, Executive Vice President and Chief Financial Officer, Director
Mr. Robert E. Dean, Director
Mr. Raymond C. Groth, Director
Mr. Paul A. Philip, Director
Mr. Robert H. Whitehead, Director
Mr. Russell E. Zimmermann, Director
Specialty Underwriters Alliance Inc.
222 South Riverside Plaza
Chicago, IL 60606

To: Board of Directors of Specialty Underwriters Alliance Inc.

I am pleased to present the enclosed proposal by Hallmark Financial Services, Inc. ("Hallmark") to acquire all of the outstanding stock of Specialty Underwriters' Alliance Inc. ("SUAI" or the "Company").

Our proposal is subject to confirmatory due diligence, which we are prepared to commence immediately, the negotiation of a definitive acquisition agreement and the receipt of all necessary shareholder and regulatory approvals. In addition, because the consideration would consist of our common stock, we would provide you with the opportunity to conduct appropriate due diligence with respect to Hallmark.

We are prepared to deliver a draft merger agreement to SUAI and begin discussions immediately. With SUAI's full cooperation, we are confident that we will be able to complete due diligence, negotiate a definitive agreement, and immediately thereafter begin preparations for the necessary regulatory and shareholder approvals (approval of Hallmark shareholders is assured through the indicated willingness of Newcastle Partners, L.P., our majority stockholder, to support this transaction). Accordingly, we believe a transaction could realistically be completed within approximately 120 days.

We believe Hallmark's proposal to acquire SUAI in a share-for-share transaction offers significant and compelling benefits to SUAI shareholders, including the following:

1. Our offer price of \$6.50 in Hallmark stock for each outstanding share of SUAI represents a significant 30% premium to SUAI's closing share price on Friday, June 13, of \$4.99 per share. Our offer price represents an even greater 37% premium to SUAI's trailing 30-day average closing price of \$4.74.
-

2. SUAI shareholders' upside potential will not be capped. In addition to realizing an immediate significant 30% premium for their shares today, SUAI shareholders will retain a continuing ownership interest in Hallmark and will participate in any future gains in Hallmark shares.
3. SUAI's business model will be greatly enhanced by the addition of Hallmark's "A-" rated paper. This will allow SUAI to grow through the addition of programs that are rating sensitive, as was initially contemplated in the original SUAI business model.
4. Hallmark enjoys a strong capital position and will commit its capital to support future growth of SUAI's business.
5. Hallmark produced a 16% ROE in 2007 and a 16% ROE in 1Q 2008. SUAI produced a 10% ROE in 2007 and a 10% ROE 1Q 2008 (including a one-time accounting benefit for deferred taxes). SUAI lacks prospects for meaningfully increasing its ROE in the foreseeable future. This transaction will allow SUAI shareholders to enjoy a much higher return on their pro-rata share of invested capital in a combined company.
6. This share-for-share transaction will create a much broader, more actively traded shareholder base. This will benefit not only the existing shareholders through enhanced liquidity, but will enhance the prospect of attracting additional quality investors.

In sum Hallmark believes with a larger, stronger corporate platform, pursuing additional business opportunities in this soft-rate environment, either through acquisition or operating relationships, SUAI shareholders' prospects for future returns will be greatly enhanced through this transaction as compared to what they are today.

As such, we request a meeting with SUAI's board of directors and/or management as soon as possible to discuss our proposal. Hallmark's senior management stands ready to meet with you and answer any questions concerning our proposal. We look forward to receiving your response.

Very truly yours,

/s/ Mark E. Schwarz

Mark E. Schwarz
Executive Chairman
Hallmark Financial Services, Inc.

June 16, 2008

Mr. Courtney C. Smith
Chairman, President and Chief Executive Officer
Specialty Underwriters Alliance Inc.
222 South Riverside Plaza
Chicago, IL 60606

Dear Courtney:

On behalf of Hallmark Financial Services, Inc. ("Hallmark"), I am pleased to present this proposal to acquire all of the outstanding stock of Specialty Underwriters' Alliance Inc. ("SUAI" or the "Company") in a stock for stock merger.

The following are the key elements of this proposal. It is understood that definitive terms and agreements remain subject to both a due diligence review and negotiations between the parties.

- I. Expected Purchase Price: We contemplate a share exchange whereby Hallmark will acquire all of the outstanding stock of SUAI at an exchange ratio where each share of SUAI is valued at \$6.50 in Hallmark common stock.
 - II. Source of Financing: The share exchange will be from currently authorized, but unissued shares of Hallmark. The proposed transaction will result in SUAI shareholders receiving more than 20% the outstanding shares of Hallmark and, accordingly, will require Hallmark shareholder approval. However please note that Newcastle Partners, L.P., which owns approximately 70% of Hallmark's shares, has indicated its willingness to support the transaction.
 - III. Conditions to Closing: We expect limited conditions. SUAI would be expected to obtain all necessary corporate approvals (including shareholder approval) and regulatory approvals. In addition, we would ask that SUAI obtain satisfactory waiver of change in control provisions in existing material contracts and other material third party consents.
 - IV. Timing of Due Diligence: Our proposal is subject to confirmatory due diligence and we would naturally expect that SUAI would want to conduct its own due diligence with respect to Hallmark. Accordingly, each party will provide to the other reasonable access to its management personnel, books, records and other information relating to their business as a party may reasonably request to assist in this effort. All access, investigations, contacts and communications will be made only after communication to and coordination with the other party and in such a manner as not to interfere unduly with the normal conduct of the party's business. Hallmark has an experienced due diligence team and anticipates it can conduct its due diligence rapidly, needing three full days on-site in Chicago, Illinois, with a team of 6-8 individuals and then approximately two weeks thereafter to conclude.
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- V. Organizational Assumptions: We anticipate minimal changes to the Company's existing operations or staff. We expect to maintain the continued employment of all key management personal.
- VI. Confidentiality Agreement: Hallmark would expect to execute a customary confidentiality agreement in connection with conducting due diligence. Hallmark understands that such an agreement may contain a customary standstill restriction and is prepared to enter into one to facilitate a transaction with SUAI.
- VII. Definitive Purchase Agreement: Following completion of due diligence, we expect the parties to proceed with negotiation and execution of a definitive purchase agreement ("Definitive Agreement") containing the terms and conditions set forth herein, such additional terms as may be agreed by the parties, and such other reasonable, customary and mutually satisfactory representations, warranties, covenants and indemnities as the parties may mutually agree.
- VIII. Fees & Expenses: Each party hereto will be responsible for and bear all its own costs and expenses incurred at any time in connection with pursuing, negotiating or consummating the Transaction, including without limitation, the preparation, negotiation and execution of this Letter of Interest and the Definitive Agreement.
- IX. Termination: This Letter of Interest may be terminated (a) at any time by the mutual agreement of the parties hereto or (b) at the option of any party, if after 60 days after the acceptance of this letter, a Definitive Agreement has not been executed and delivered for any reason. In any event, this Letter of Interest will terminate upon execution of, and will be superseded by, the Definitive Agreement.
- X. Expiration: The terms of this Letter of Interest are deemed to expire if not agreed and accepted in its entirety by end of the business day (5:00 p.m. CST), June 20, 2008. Acceptance will be constituted by the full execution of the signature page of this letter and the delivery of such to the designated Hallmark contact person.
- XI. Publicity: Except as required by law, no press release or other public announcement with respect to this Letter of Interest or the Transaction shall be made by any party hereto, and each party will direct its representatives not to make directly or indirectly, any such press release or public announcement, without in each case each party's prior written consent. If a party is required by law to make any such disclosure, such party must first provide to the other party the content of the proposed disclosure, the reasons that such disclosure is required by law, and the time and place that the disclosure will be made.
- XII. Counterparts: This Letter of Interest may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute the same instrument.
- XIII. Other Matters: This proposal letter shall be governed and construed under the laws of the State of Texas without regard to conflicts of laws principles.
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XIV. Contact Information: In response to this proposal, please contact:

Mark J. Morrison
President & Chief Executive Officer
Hallmark Financial Services, Inc.
777 Main Street, Suite 1000
Fort Worth, Texas 76102
(817) 348-1728
(817) 348-1815 fax
E-Mail: mmorrison@hallmarkgrp.com

With the exception of paragraphs (IV), (VII) and (XIV), which are intended to be legally binding obligations, this Letter of Interest represents a non-binding expression of intent and will not obligate any party in any way.

We look forward to hearing from you. If you have any questions, please call me at your convenience.

Very truly yours,

/s/ Mark E. Schwarz

Mark E. Schwarz
Executive Chairman
Hallmark Financial Services, Inc.

ACKNOWLEDGED & ACCEPTED ON BEHALF OF SPECIALTY UNDERWRITERS' ALLIANCE INC.:

Signature:

Date:

Name:

Title:

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Hallmark Financial Services, Inc.

Mark J. Morrison
777 Main Street, Suite 1000
Fort Worth, Texas 76102
Tel: (817) 348-1600

Email: info@suaitownhall.com

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orporate financial performance bonus earned by up to 25 percentage points, subject to limitations specified in the annual incentive plan. For example, if according to the corporate financial performance measure, 75% of the corporate financial performance bonus has been earned, our CEO may adjust an individual participant's percent of corporate financial performance bonus earned to as little as 50% or as much as 100%, as provided under the annual incentive plan.

- Adjusting individual executive deferred bonus awards downward or upward, based on the participant's individual performance and/or the performance of the participant's department or division, as provided under the annual incentive plan.
- Awarding a bonus under the annual incentive plan of up to 25% of target bonus (and up to 100% of target bonus for non-exempt employees) if Oil-Dri fails to achieve the minimum performance otherwise required for payment of an award, such discretion having been granted by the Compensation Committee for fiscal 2008.

For fiscal 2008, our adjusted, pre-tax, pre-bonus income of \$15,734,000 resulted in incentive bonuses being paid at 128% of target bonus. Annual cash and executive deferred bonus awards are shown in the Summary Compensation Table in the column captioned "Non-Equity Incentive Plan Compensation."

At its regular meeting on October 15, 2008, the Compensation Committee reviewed the annual incentive plan performance measure and targets suggested by our CEO for the fiscal year beginning August 1, 2008 (fiscal 2009). The performance measure continues to be corporate financial performance as measured by achievement of target pre-tax, pre-bonus income as specified in the fiscal 2009 annual incentive plan. Annual incentive plan target pre-tax, pre-bonus income for fiscal 2009 will be determined by adjusting pre-tax income as shown in our fiscal 2009 audited financial statements in the same manner as described above for fiscal 2008. At that meeting, the Compensation Committee also stated its intention to grant to our CEO, at a meeting following the end of fiscal 2009, an award of restricted shares of Class B Stock under the terms of

our 2006 Long Term Incentive Plan. If granted, the dollar value of the restricted shares award would be calculated to equal the amount, if any, of an executive deferred bonus award our CEO would have received under our annual incentive plan as a result of our corporate financial performance in fiscal 2009, had he been eligible for such an award. (As was the case in fiscal years 2007 and 2008, our CEO has requested that he not be eligible for an executive deferred award in fiscal 2009.) That dollar value would then be divided by the average closing sale price of the Company's Common Stock for the 30 days preceding the date of the grant (or other similar measure) to establish the actual number of restricted shares awarded. If any restricted shares are in fact granted, those shares will vest in full on July 31, 2012.

Retirement Benefits: We seek to retain highly qualified executives, including the executive officers, and reward them for their service, by providing the following retirement benefit plans:

- Defined benefit pension plan;
- Supplemental executive retirement plan (SERP);
- Defined contribution pension plan; and
- Executive deferred compensation plan.

Retirement benefits under these plans are funded by a combination of employer and employee contributions as described below, thus encouraging employees to take an active part in saving for their own retirement years.

- **Defined benefit pension plan:** All U.S.-based employees participate in our Company-funded defined benefit pension plan. For salaried employees, the pension plan provides for pension benefits based on credited years of service and cash compensation (excluding executive compensation paid under our annual incentive plan and amounts deferred pursuant to our deferred compensation plan) during the highest paid consecutive five years during the last 10 years of employment. Our hourly paid manufacturing employees also participate, but with a different pension benefit formula.
- **SERP:** Our SERP provides benefits that would have been provided under our pension plan absent Code limitations on benefits and on compensation for purposes of calculating benefits. Benefits under the SERP will be paid from our general assets. All employees whose pension plan benefits are limited by the Code will participate in the SERP. Currently, our CEO is the only participant.
- **Defined contribution pension plan:** All U.S.-based employees are eligible to participate in our 401(k) retirement savings plan. Employees may contribute from 2% to 25% of eligible compensation on a tax deferred basis, subject to Code limits. We make a matching contribution of \$0.50 for each \$1.00 of the first 4% of compensation that employees contribute.
- **Executive deferred compensation plan:** We provide an executive deferred compensation plan to assist executives and non-employee directors in saving for retirement or other financial needs. All executive officers are eligible to participate in this plan. Participating executives may defer up to 50% of base salary and 100% of annual incentive bonus into the plan. We make no contributions. Executives' deferrals earn a return equal to our long term cost of borrowing plus one percent.

Retirement Benefits for named executive officers shown in the Tables:

- Summary Compensation Table: The actuarial change in pension benefits and SERP benefits and earnings in excess of 120% of the applicable federal rate on deferred compensation plan balances are included in

the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table. Our contribution to the 401(k) retirement savings plan is included in the "All Other Compensation" column of that table.

- Pension Benefits Table: The present value of the accumulated benefit under the pension plan and the SERP is shown in the "Present Value of Accumulated Benefits" column of the Pension Benefits Table.
- Nonqualified Deferred Compensation Table: Contributions by the named executive officers to our executive deferred compensation plan are shown in the "Executive Contributions in Last Fiscal Year" column of the Nonqualified Deferred Compensation Table. Earnings on balances in that plan are included in the "Aggregate Earnings in Last Fiscal Year" column of that table.

Other Benefits: We provide health and welfare benefits, including medical and dental coverage and life and long-term disability insurance, which are available to the executive officers on the same terms as they are available to other employees. These benefits help us attract and retain talented employees and provide assistance to current employees and their families.

We provide limited perquisites to the executive officers to assist them in carrying out their duties. These perquisites may include a car allowance and paid parking. The value of these benefits is included in the "All Other Compensation" column of the Summary Compensation Table.

Employment and Severance Arrangements: We do not generally enter into written employment or severance agreements with our executive officers nor do we have a severance plan that covers any of our executive officers. We did, however, agree with Charles P. Brissman at the time of his employment that he would receive a minimum of six months severance pay of base salary and medical benefits if he were terminated without cause after two years or more of employment. Our only other provisions for benefits upon termination of employment or change in control are in existing compensation plans and apply to all participants in those plans. For example, our equity incentive plans contain provisions for immediate vesting of benefits upon change in control, retirement, disability or death. The Benefits Upon Termination or Change in Control Table contains additional information concerning benefits upon the termination of employment of our named executive officers.

Long Term Equity Incentives: Beginning in fiscal 2006, we de-emphasized the use of equity incentive compensation while continuing to recognize that the use of long term equity incentive compensation is important in attracting and retaining key employees and outside directors. We generally limit long term equity incentive compensation awards to newly hired or promoted executives and to our CEO to bring his long term equity incentive compensation closer to the market median. We did not grant any equity awards during fiscal 2008.

Equity Grant Practices: We have a formal equity grant policy, adopted by our Board of Directors in 2007, which provides that equity awards generally should be made by the Compensation Committee at a regularly scheduled meeting or by our CEO under limited authority granted to him. Our CEO may make grants of either stock options or restricted stock, but the total number of either stock options or shares of restricted stock that our CEO may grant is limited and the maximum employee award is designated by the employee's salary grade. Our CEO may generally make awards only four times each year, during the two-week period beginning the third business day following our quarterly earnings release. If the grant date is not a NYSE trading day, then the grant date will be the immediately preceding NYSE trading day. Only the

Compensation Committee, however, can make grants to our executive officers or directors or eligible members of their immediate families.

Prior to the adoption of our formal policy, in the case of grants made by the Compensation Committee, the grant date has either been the date the Compensation Committee met and approved grants or signed a unanimous written consent, or a future date specified in the Compensation Committee's resolution, such as the date of hire of a new employee. In the case of grants made by our CEO, the grant date has been the date a formal grant authorization was signed by our CEO. The exercise price has always been the closing market price of our Common Stock on the date of grant.

Stock Ownership Guidelines: We do not have guidelines or requirements for stock ownership by our executive officers or our directors.

Tax and Accounting Implications

Tax Deductibility: Section 162(m) of the Code limits to \$1 million the tax deduction we may take for compensation paid to our CEO and the other named executive officers. At present compensation levels, this limitation has no impact. In general, we favor the preservation of tax deductibility, but reserve the right to reconsider this position.

Nonqualified Deferred Compensation: Section 409A of the Code changed the tax rules that affect most forms of deferred compensation that were not earned and vested prior to January 1, 2005. We have amended and restated all of our benefit plans that include deferred compensation elements in compliance with Section 409A. Specifically, at its December 4, 2007 meeting our Board of Directors adopted, effective January 1, 2008, amendments and restatements of the following plans:

- Oil-Dri Corporation of America 2005 Deferred Compensation Plan;
- Oil-Dri Corporation of America 2006 Long Term Incentive Plan;
- Oil-Dri Corporation of America Annual Incentive Plan.

At its October 15, 2008 meeting, our Board of Directors adopted, effective January 1, 2009, an amendment and restatement of the Oil-Dri Corporation of America Supplemental Executive Retirement Plan. We believe we have been operating in good faith with Section 409A since its January 1, 2005 effective date.

Accounting for Stock-Based Compensation: On August 1, 2005, we began accounting for stock-based payments under our equity incentive plans in accordance with the requirements of Statement of Financial Accounting Standards No. 123 (revised 2004) (□SFAS 123R□).

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Summary Compensation Table

The following table summarizes the total compensation the Company paid or accrued for services provided by the named executive officers. The named executive officers are our CEO, Chief Financial Officer and the three other most highly compensated executive officers during the fiscal year ended July 31, 2008.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) (1)	Option Awards (\$) (1)	Non-Equity Incentive Plan Compensation (\$) (2)	Change in Pension Value and Nonqualified Deferred Compensation (\$) (3)	All Other Compensation (\$) (4)
Daniel S. Jaffee President and Chief Executive Officer	2008	\$ 382,125	--	\$ 284,646	\$ 27,140	\$ 244,560	\$ 20,845	\$ 40,000
	2007	\$ 367,425	--	\$ 283,878	\$ 27,063	\$ 324,253	\$ 16,250	\$ 38,400
Andrew N. Peterson Vice President and Chief Financial Officer	2008	\$ 225,000	--	--	\$ 36,702	\$ 161,280	\$ 9,424	\$ 14,400
	2007	\$ 197,500	--	--	\$ 36,596	\$ 170,808	\$ 7,893	\$ 10,800
Thomas F. Cofsky Vice President of Manufacturing and Logistics	2008	\$ 207,333	--	--	\$ 13,756	\$ 148,617	\$ 12,864	\$ 18,400
	2007	\$ 197,833	--	--	\$ 13,719	\$ 195,538	\$ 10,740	\$ 13,700
Brian K. Bancroft								

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Vice President and Chief Procurement Officer	2008	\$ 196,650	--	\$ 19,298	\$ 15,788	\$ 105,719	\$ 2,557	\$ 11,8
	2007	\$ 183,750	--	\$ 30,900	\$ 15,788	\$ 136,214	\$ 2,366	\$ 12,4
Charles P. Brissman								
Vice President, General Counsel and Secretary	2008	\$ 192,500	--	--	\$ 20,172	\$ 113,837	\$ 5,783	\$ 13,8
	2007	\$ 181,250	--	--	\$ 44,849	\$ 144,374	\$ 4,539	\$ 10,5

- (1) The amounts reported reflect the compensation cost, without any reduction for the risk of forfeiture, recognized by us for financial statement reporting purposes for the fiscal year in accordance with SFAS 123R. The amounts do not reflect compensation actually received by the named executive officers. The assumptions used in calculation of these amounts are disclosed in Note 7 of the notes to our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended July 31, 2008. There were no awards to the named executive officers in fiscal 2008. The expense recognized is related to awards made in prior years that have not yet fully vested.
- (2) The 2008 amounts reflect award of 128% of target cash and executive deferred bonuses under our annual incentive plan. Cash bonuses earned are paid following completion of the specified fiscal year. Executive deferred bonuses are awarded based on performance during the specified fiscal year and generally vest (become payable) according to a vesting schedule established by the Compensation Committee for each fiscal year's award as described above under Compensation Discussion and Analysis Annual and Deferred Incentive Compensation. Executive deferred bonuses awarded for fiscal 2008 vest on July 31, 2011.

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The 2007 amounts have been increased to include the executive deferred bonuses awarded for performance in fiscal 2007, which we believe more clearly reflects the awards under our annual incentive plan. In our 2007 proxy statement, the executive deferred bonus award was disclosed in the Nonqualified Deferred Compensation Table in the column captioned "Registrant Contributions in Last Fiscal Year."

The cash and executive deferred bonuses awarded to the named executive officers for fiscal 2007 and fiscal 2008 are shown below. At his request, Mr. Jaffee was not eligible for an executive deferred bonus award in fiscal 2008 or fiscal 2007.

Non-Equity Incentive Plan Compensation

Name		Cash	Executive Deferred Bonus
Daniel S. Jaffee	2008	\$ 244,560	--
	2007	\$ 324,253	--
Andrew N. Peterson	2008	\$ 115,200	\$ 46,080
	2007	\$ 122,006	\$ 48,802
Thomas F. Cofsky	2008	\$ 106,155	\$ 42,462
	2007	\$ 139,670	\$ 55,868
Brian K. Bancroft	2008	\$ 75,514	\$ 30,205
	2007	\$ 97,296	\$ 38,918
Charles P. Brissman	2008	\$ 81,312	\$ 32,525
	2007	\$ 103,138	\$ 41,236

- (3) Change in Pension Value during the fiscal year: For Daniel S. Jaffee the amount shown includes the aggregate increase of \$16,007 in the actuarial present value of his benefits under our pension plan and SERP. For Thomas F. Cofsky, the amount shown includes the increase of \$8,645 in the actuarial present value of his benefits under our pension plan. The amount reported for each of Messrs. Peterson, Bancroft and Brissman is the increase in the actuarial present value of his benefit under our pension plan; however, Messrs. Peterson and Bancroft have less than the five years of service necessary for them to vest under our pension plan.

Nonqualified Deferred Compensation Earnings: The amounts shown for Daniel S. Jaffee and Thomas F. Cofsky include \$4,838 and \$4,219, respectively, in earnings from our executive deferred compensation plan that exceed 120% of the applicable federal rate.

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(4) The amounts shown in this column are described in the following table:

All Other Compensation Table

Name	Perquisites	Dividends on Unvested Restricted Stock	Interest Earned on Executive Deferred Bonus	401(k) Plan Company Matching Contributions	Total
	(\$) (1)	(\$) (2)	(\$) (3)	(\$)	(\$)
Daniel S. Jaffee	\$ 10,839	\$ 22,181	--	\$ 7,427	\$ 40,447
Andrew N. Peterson	\$ 6,300	--	\$ 3,384	\$ 4,792	\$ 14,476
Thomas F. Cofsky	\$ 9,972	--	\$ 3,875	\$ 4,593	\$ 18,440
Brian K. Bancroft	\$ 6,000	\$ 1,219	\$ 2,699	\$ 1,950	\$ 11,868
Charles P. Brissman	\$ 6,400	--	\$ 2,859	\$ 4,567	\$ 13,826

- (1) Perquisites for the named executive officers generally consist of auto allowances, paid parking and airline executive club memberships. The amounts shown reflect the actual cost to us for providing these perquisites. The perquisites received by Daniel S. Jaffee consisted of the following which were paid by the Company: \$6,300 auto allowance, \$3,624 parking, \$615 for remote Internet access and \$300 airline executive club membership.
- (2) Amounts shown represent dividend payments on unvested shares of restricted stock held by the named executive officers that are reportable as ordinary income.
- (3) Executive deferred bonuses awarded under our annual incentive plan earn interest at a rate equal to our long term cost of borrowing plus one percent as described above under [Compensation Discussion and Analysis - Annual and Deferred Incentive Compensation.] The amounts shown are the interest earned on all unvested executive deferred bonus awards, regardless of the fiscal year in which the awards were earned.

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Grants of Plan-Based Awards during Fiscal Year 2008

The following table discloses the range of cash bonus awards and executive deferred bonus awards targeted for fiscal year 2008 performance under the our annual incentive plan as described in [Compensation Discussion and Analysis] Annual and Deferred Incentive Compensation] above. There were no equity grants awarded in the fiscal year ended July 31, 2008 to any of the named executive officers.

Name	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Target		Maximum (3)	
	Cash Bonus (\$) (1)	Deferred Bonus (\$) (2)	Cash Bonus (\$)	Deferred Bonus (\$)	Cash Bonus (\$)	Deferred Bonus (\$)
Daniel S. Jaffee	\$ 47,766	--	\$ 191,063	--	\$ 382,125	--
Andrew N. Peterson	\$ 22,500	\$ 27,000	\$ 90,000	\$ 36,000	\$ 180,000	\$ 72,000
Thomas F. Cofsky	\$ 20,733	\$ 24,880	\$ 82,933	\$ 33,173	\$ 165,867	\$ 66,347
Brian K. Bancroft	\$ 14,749	\$ 17,699	\$ 58,995	\$ 23,598	\$ 117,990	\$ 47,196

Charles P. Brissman	\$ 15,881	\$ 19,058	\$ 63,525	\$ 25,410	\$ 127,050	\$ 50,820
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- (1) The threshold for payment of a cash bonus was adjusted pre-tax, pre-bonus income corresponding to achievement of 84% of our budgeted business plan. No executive deferred bonus was to be awarded at that level of performance. That achievement level would result in payment of 25% of target cash bonus.
- (2) No executive deferred bonus is awarded until 75% of target cash bonus is earned, after giving effect to the award of executive deferred bonus.
- (3) The maximum amount payable is 200% of target bonus.

The table refers to these amounts in future terms, but the amounts have already been paid or accrued to the named executive officers' accounts. The full amounts of cash and executive deferred bonuses awarded are disclosed in the Summary Compensation Table in the column captioned "Non-Equity Incentive Plan Compensation."

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Outstanding Equity Awards at Fiscal 2008 Year End

The following table provides information on the current holdings of stock options and restricted stock by the named executive officers as of July 31, 2008. The options and restricted stock held by Daniel S. Jaffee and Thomas F. Cofsky are for shares of Class B Stock. The options and restricted stock held by the other named executive officers are for shares of Common Stock.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Daniel S. Jaffee	18,750	18,750	\$ 4.92	10/12/2011 (1)	52,500 (2)	\$ 904,050
	11,718	3,907	\$ 9.43	9/23/2013		
Andrew N. Peterson	15,625	15,625	\$ 12.00	10/8/2014		
Thomas F. Cofsky	3,125	--	\$ 11.65	9/17/2009		
	12,500	--	\$ 6.90	2/28/2010		
	12,500	12,500	\$ 4.92	10/12/2011 (1)		
	4,687	1,563	\$ 9.43	9/23/2013		
Brian K. Bancroft	--	6,250	\$ 14.76	2/1/2015		
Charles P. Brissman	37,500	--	\$ 5.89	10/21/2012		
	9,375	3,125	\$ 9.43	9/23/2013		

Vesting of Option Awards: All option awards have a 10-year term. Except as otherwise noted below, option awards vest ratably over four years commencing on the second anniversary of the grant date.

- (1) Vest 50% on the second anniversary of the grant date and 50% on the seventh anniversary of the grant date.
- (2) Restricted stock granted March 14, 2006; 20% vested on December 6, 2006 and 20% vests on each of the four subsequent anniversaries of that date.
- (3) Market value calculated using the closing price of our Common Stock on July 31, 2008, which was \$17.22.

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Option Exercises and Stock Vested for Fiscal 2008

The following table provides information for the named executive officers on:

- the number of shares of the Company's stock acquired and the value received from stock option exercise during fiscal 2008; and
- the number of shares of the Company's restricted stock which vested and the value received upon vesting during fiscal 2008.

The shares acquired by Daniel S. Jaffee and Thomas F. Cofsky are shares of Class B Stock. The shares acquired by Brian K. Bancroft are shares of Common Stock.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
Daniel S. Jaffee	40,000	\$ 331,675	17,500	\$ 383,075
Andrew N. Peterson	--	--	--	--
Thomas F. Cofsky	12,500	\$ 130,938	--	--
Brian K. Bancroft	6,250	\$ 29,625	3,125	\$ 55,125
Charles P. Brissman	--	--	--	--

- (1) The Value Realized represents the difference between the fair market value of our Common Stock on the date of exercise (or vesting, in the case of restricted stock) and the grant price, multiplied by the number of shares acquired or vested.

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Pension Benefits for Fiscal 2008

Defined benefit pension plan: All U.S.-based employees participate in our non-contributory, tax-qualified, defined benefit pension plan once they reach age 21 and complete one year of service. For salaried employees, including the named executive officers, the pension plan provides for pensions based on credited years of service (capped at 30 years) and Final Average Compensation.

The normal form of benefit is a life annuity with five years certain, payable at normal retirement age of 65. The standard form of payment for a participant who is married is a 50% joint and survivor annuity. Other forms of benefit are available. Each form of benefit has approximately the same relative value. The formula for computation of the normal form of benefit is:

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0.55% of Final Average Compensation
 + 0.55% of Final Average Compensation which exceeds
 Social Security Covered Compensation

Multiplied by years of credited service

Final Average Compensation is the monthly average of the participant's compensation paid during the highest paid consecutive five years during the last 10 years of employment. Compensation for pension plan purposes is base salary, commissions, and bonuses other than those paid under our annual incentive plan. Social Security Covered Compensation is the average of the taxable wage bases in effect for each calendar year in the 35-year period ending with the year the participant attains Social Security retirement age.

A participant's right to an accrued benefit becomes non-forfeitable after five years of vesting service. Normal retirement age under the plan is age 65, or the date a participant completes five years of vesting service, if later. Salaried participants who have 10 years of service can receive actuarially reduced early retirement benefits as early as age 55. The present value of the accumulated benefit is the same regardless of whether a participant begins to receive benefits at age 65 or at an earlier age. We do not subsidize early retirement benefits.

If a married participant with a non-forfeitable benefit dies prior to commencement of benefit payments, the participant's spouse will be entitled to a survivor annuity equal to the amount the spouse would have been entitled to receive under a 50% joint and survivor annuity.

SERP: Our SERP provides benefits which would have been provided under our pension plan absent Code limitations on benefits and on compensation for purposes of calculating benefits. All employees whose pension plan benefits are limited by those Code limitations may participate in the SERP. Currently, Daniel S. Jaffee is the only participant. Benefits provided under the SERP are paid in five equal annual installments beginning six months after the participant's separation from service; however, if upon termination of employment the present value of the participant's accumulated benefits does not exceed \$50,000, payment will be made in a lump sum, six months after separation from service.

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The following table shows the present value of the accumulated benefits under the pension plan and under the SERP for each of the named executive officers. No payments were made to any named executive officer under the pension plan or the SERP during fiscal year 2008.

Name	Plan Name	Number of	Present
		Years of	Value
		Credited	of
		Service	Accumulated
		(#)	Benefits
		(1)	(\$)
		(1)	(2)
Daniel S. Jaffee	Pension Plan	20.75	\$ 98,830
	SERP	20.75	\$ 63,633
Andrew N. Peterson	Pension Plan	3.81	\$ 30,430
Thomas F. Cofsky	Pension Plan	21.33	\$ 92,405
Brian K. Bancroft	Pension Plan	3.49	\$ 8,743
Charles P. Brissman	Pension Plan	5.78	\$ 25,065

(1) Credited service is actual years of employment with Oil-Dri.

(2) The amounts shown for Messrs. Bancroft and Peterson have not yet vested. The assumed retirement age used to calculate the actuarial present value for each named executive officer's accumulated benefits is age 65, the age at which each named executive officer would be eligible to receive unreduced benefits. The other

assumptions used are the same as those used to prepare the pension disclosures in Note 8 of the notes to our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended July 31, 2008.

Nonqualified Deferred Compensation for Fiscal 2008

We provide an executive deferred compensation plan in which all executive officers and other senior managers are eligible to participate. Participating executives may defer up to 50% of base salary and 100% of annual cash incentive bonus into the plan. The Company makes no contributions. Executives' deferrals earn a return equal to our long term cost of borrowing plus one percent. Participants are entitled to receive a distribution from their account balances at the earlier of the end of their elected deferral period or upon death or termination of employment prior to age 55. Accounts are distributed in a single lump sum, or in certain circumstances annual installments over a period of up to 15 years as elected by the participant. In the event of an unforeseen emergency, a participant may apply to the administrative committee of the plan for payment of an amount from the participant's account balance sufficient to satisfy the emergency need. The plan will terminate upon a change in control of the Company. Immediately prior to such a change in control, or as soon as possible following a change in control, each participant will be paid his account balance. Our executive deferred compensation plan is unfunded and subject to the claims of our creditors.

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The following table shows contributions, earnings and balances in our executive deferred compensation plan for the named executive officers for fiscal 2008.

Name	Executive Contributions in Last Fiscal Year (\$) (1)	Registrant Contributions in Last Fiscal Year (\$) (2)	Aggregate Earnings in Last Fiscal Year (\$) (3)	Aggregate Withdrawals/ Distributions (\$) (4)	Aggregate Balance at Last Fiscal Year End (\$) (4)
Daniel S. Jaffee	\$ 61,140	--	\$ 24,891	--	\$ 458,355
Andrew N. Peterson	--	--	--	--	--
Thomas F. Cofsky	\$ 40,000	--	\$ 21,910	--	\$ 371,200
Brian K. Bancroft	--	--	--	--	--
Charles P. Brissman	--	--	--	--	--

- (1) The amounts in this column are voluntary deductions from salary and cash incentive awards by the named executive officers.
- (2) We make no contribution to the executive deferred compensation plan; however, in our 2007 proxy statement, we showed as Registrant Contributions the fiscal 2007 executive deferred bonus awards under our annual incentive plan. We now include those amounts in the Summary Compensation Table in the column captioned "Non-Equity Incentive Plan Compensation."
- (3) We credit the accounts under the terms of the plan with a return equal to our long term cost of borrowing plus one percent. The amounts shown include the amounts exceeding 120% of the applicable federal rate and reported as compensation to the following named executive officers in the Summary Compensation Table: Daniel S. Jaffee \$4,838 and Thomas F. Cofsky \$4,219.
- (4) In our 2007 proxy statement, the amounts shown included executive deferred bonus awards under our annual incentive plan. We now include those amounts in the Summary Compensation Table in the

Equity Compensation Plans

The following table provides information as of July 31, 2008 about our equity compensation plans and Stock (as defined in those plans) which may be issued upon the exercise of options and rights which have been or may be granted to employees or members of the Board of Directors under those plans.

Plan Category	Number of Shares of Stock to be Issued Upon Exercise of Outstanding Options	Class B Stock Common Stock	Weighted Average Exercise Price of Outstanding Options	Number of Shares of Stock Remaining Available for Future Issuance Under Equity Compensation Plans (excluding those listed in the first column)
Equity Compensation Plans Approved by our Stockholders (1)	119,688	Class B Stock	\$ 6.72	
	423,356	Common Stock	\$ 9.31	
	543,044	(2)	\$ 8.74	790,000 (4)
Equity Compensation Plans Not Approved by our Stockholders (3)	81,250	Common Stock	\$ 8.11	--
Total	624,294	Common & Class B Stock	\$ 8.66	790,000

- (1) These plans are our 1995 Long-Term Incentive Plan and 2006 Long Term Incentive Plan.
- (2) Under these plans, awards made to members of the Jaffee family are for shares of Class B Stock. Awards made to any other employees or non-employee directors are for shares of Common Stock.
- (3) This plan is our Outside Director Stock Plan that was adopted by our Board in 1998. The Outside Director Stock Plan provides for grants of stock options to non-employee directors at an option price per share of 100% of the fair market value of Common Stock on the date of grant. Stock options have been granted to our directors for a 10-year term with a one-year vesting period. All stock issued under the plan is issued from shares held in our treasury.
- (4) Prior to issuance of awards under these plans, it is not possible to determine whether awards will be for shares of Common Stock or shares of Class B Stock. Awards made to members of the Jaffee family will be for shares of Class B Stock. Awards made to any other employees or non-employee directors will be for shares of Common Stock.

Benefits upon Termination or Change in Control

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The following summaries and table set forth potential payments to our named executive officers upon termination of their employment or a change in control of the Company. None of our named executive officers are of normal or early retirement age so those termination scenarios are not shown.

We do not have a severance plan which covers any of our named executive officers and generally have no employment or severance agreements with our named executive officers, except that we agreed with Charles P. Brissman at the time of his employment that he would receive a minimum of six months severance pay of base salary and medical benefits if he were terminated without cause after two years or more of employment.

Our only other provisions for benefits upon termination of employment or change in control are in existing compensation plans and apply to all participants in those plans.

- Our annual incentive plan provides for immediate vesting and payment, as allowed by law, of a participant's executive deferred bonus award account upon the participant's death, disability, retirement with age plus years of service equal to 80, or change in control of the Company.
- Our equity incentive plans (the 1995 Long-Term Incentive Plan and the 2006 Long Term Incentive Plan) and the agreements issued under those plans provide for immediate vesting of restricted stock and immediate vesting and exercisability of stock options upon a participant's death, disability or a change in control of the Company. Upon retirement with age plus years of service equal to 80, all stock options become immediately vested and exercisable. Upon any of these termination events, the participant, or his beneficiary in the case of the participant's death, may exercise any outstanding stock options for a period of three years or until their expiration dates, whichever occurs first.

The table below does not include amounts payable to our named executive officers under plans that are generally available on the same basis to all of our salaried employees, such as payments under the pension plan, the 401(k) plan, the life insurance plan, the disability insurance plan and payment of prorated annual incentive compensation. For information regarding pension plan benefits see "Pension Benefits for Fiscal 2008" above.

The table also does not include balances under our executive deferred compensation plan. Those balances and the circumstances under which the named executive officers may receive distributions from that plan are disclosed in the Nonqualified Deferred Compensation Table and the introduction to that table.

The amounts shown assume that each named executive officer's employment terminated on July 31, 2008, the last day of our most recently completed fiscal year, and when applicable, the closing price of our Common Stock on that date of \$17.22.

Name	Vesting of Awards under Incentive Plans				Total (\$)
	Separation Benefit (\$) (1)	Annual Incentive Plan Deferred Account (\$) (2)	1995 Long-Term Incentive Plan (\$) (3)	2006 Long Term Incentive Plan (\$) (3)	
DANIEL S. JAFFEE					
Voluntary Separation	--	--	--	--	--
Involuntary Not for Cause Termination	--	--	--	--	--
Involuntary for Cause Termination	--	--	--	--	--
Change in Control	--	--	\$ 261,053	\$ 904,050	\$ 1,165,103
Death	--	--	\$ 261,053	\$ 904,050	\$ 1,165,103
Disability	--	--	\$ 261,053	\$ 904,050	\$ 1,165,103

ANDREW N. PETERSON									
Voluntary Separation			--		--		--		--
Involuntary Not for Cause Termination			--		--		--		--
Involuntary for Cause Termination			--		--		--		--
Change in Control			--	\$ 98,267		\$ 81,563		--	\$ 179,830
Death			--	\$ 98,267		\$ 81,563		--	\$ 179,830
Disability			--	\$ 98,267		\$ 81,563		--	\$ 179,830

THOMAS F. COFSKY									
Voluntary Separation			--		--		--		--
Involuntary Not for Cause Termination			--		--		--		--
Involuntary for Cause Termination			--		--		--		--
Change in Control			--	\$ 102,205		\$ 165,923		--	\$ 268,128
Death			--	\$ 102,205		\$ 165,923		--	\$ 268,128
Disability			--	\$ 102,205		\$ 165,923		--	\$ 268,128

BRIAN K. BANCROFT									
Voluntary Separation			--		--		--		--
Involuntary Not for Cause Termination			--		--		--		--
Involuntary for Cause Termination			--		--		--		--
Change in Control			--	\$ 71,823		\$ 15,375		--	\$ 87,198
Death			--	\$ 71,823		\$ 15,375		--	\$ 87,198
Disability			--	\$ 71,823		\$ 15,375		--	\$ 87,198

CHARLES P. BRISSMAN									
Voluntary Separation			--		--		--		--
Involuntary Not for Cause Termination	\$ 101,981		--		--		--	\$ 101,981	
Involuntary for Cause Termination			--		--		--		--
Change in Control			--	\$ 76,621		\$ 24,338		--	\$ 100,959
Death			--	\$ 76,621		\$ 24,338		--	\$ 100,959
Disability			--	\$ 76,621		\$ 24,338		--	\$ 100,959

- (1) The amount shown represents six months of base salary and six months of the Company portion of the cost of the named executive officer's medical benefits.

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- (2) The amount shown is the named executive officer's balance in his executive deferred bonus account of our annual incentive plan. As explained above, unvested executive deferred bonus awards become immediately vested upon the events listed.

- (3) The amount shown represents, as of July 31, 2008: (a) the fair market value of any unvested shares of restricted stock and/or (b) the excess of the fair market value of the shares of stock underlying unvested stock options over the option exercise price. As explained above, previously unvested shares of restricted stock and stock options become immediately vested upon the events listed.

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STOCK OWNERSHIP

Principal Stockholders

The following table sets forth information as of September 30, 2008, except as noted below, regarding beneficial ownership of our Common Stock and Class B Stock by each person or group known to us to hold more than five percent of either class. See "Security Ownership of Management" below for information on beneficial ownership of our Common Stock and Class B Stock by our executive officers and directors.

Amount and Nature of Beneficial Ownership(1) Percentage of

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Name and Address of Beneficial Owner	Title of Class	Number of Shares of Common Stock and Class B Stock		Percentage of Outstanding Stock of Class	Aggregate Voting Power of Common Stock and Class B Stock
		Class B Stock			
Richard M. Jaffee(6)(9)(15) 410 N. Michigan Avenue Chicago, IL 60611	Common Stock:	--		--	--
	Class B Stock:	409,558	(2)(3)(5)	21.39%	16.87%
Daniel S. Jaffee(6) 410 N. Michigan Avenue Chicago, IL 60611	Common Stock:	--		--	--
	Class B Stock:	189,334	(4)(5)	9.62%	7.63%
Karen Jaffee Cofsky(9) 410 N. Michigan Avenue Chicago, IL 60611	Common Stock:	586	(7)	0.01%	--
	Class B Stock:	106,146	(5)(8)	5.37%	4.26%
Jaffee Investment Partnership, L.P.(15) 410 N. Michigan Avenue Chicago, IL 60611	Common Stock:	--		--	--
	Class B Stock:	1,250,000	(3)	65.28%	51.47%
AXA Financial, Inc. 1290 Avenue of the Americas New York, NY 10104	Common Stock:	280,356	(10)	5.46%	0.62%
	Class B Stock:	--		--	--
Dimensional Fund Advisors, Inc. 1299 Ocean Avenue Santa Monica, CA 90401	Common Stock:	337,014	(11)	6.56%	1.39%
	Class B Stock:	--		--	--
GAMCO Asset Management Inc. One Corporate Center Rye, NY 10580	Common Stock:	602,850	(12)	11.74%	2.30%
	Class B Stock:	--		--	--
Heartland Advisors, Inc. 789 North Water Street Milwaukee, WI 53202	Common Stock:	726,625	(13)	14.15%	2.90%
	Class B Stock:	--		--	--
T. Rowe Price Associates, Inc. 100 East Pratt Street Baltimore, MD 21202	Common Stock:	636,950	(14)	12.40%	2.59%
	Class B Stock:	--		--	--

- (1) Beneficial ownership is determined according to the rules of the SEC and generally includes any shares over which a person possesses sole or shared power to vote or to direct the disposition of a security as well as any shares that such person has the right to acquire within 60 days of the applicable date, including through the exercise of options or other rights or the conversion of another security. All beneficial ownership is with sole voting power and sole investment power except as described in the notes below. The applicable percentage ownership for each person listed below is based upon 5,136,158 shares of Common Stock and 1,914,797 shares of Class B Stock outstanding as of September 30, 2008. Shares of Common Stock and Class B Stock subject to options, warrants or other rights that are exercisable or convertible within 60 days after the applicable date are deemed outstanding for the purpose of calculating the percentage ownership of the person holding those options, warrants or other rights but are not treated as outstanding for the purpose of calculating the percentage ownership of any other person.

- (2) Consists of 290,895 shares held in a revocable trust of which Richard M. Jaffee is the grantor and, during his lifetime, the trustee and sole beneficiary and 118,538 shares held in a revocable trust of which his spouse is the grantor and, during her lifetime, the trustee and sole beneficiary and 125 shares held in joint tenancy with his spouse.
- (3) The Jaffee Investment Partnership, L.P. is managed by its general partners, generally acting by a majority vote. Two of the general partners, Richard M. Jaffee and Shirley H. Jaffee, each have eight votes. Each of the remaining four general partners, Daniel S. Jaffee, Karen Jaffee Cofsky, Susan Jaffee Hardin and Nancy E. Jaffee, all children of Richard M. and Shirley H. Jaffee, have one vote. Richard M. Jaffee, as the managing general partner, might be deemed to have, but disclaims, beneficial ownership of the partnership's shares, which are not reflected in his share ownership shown in the table.
- (4) Consists of 130,457 shares of Class B Stock directly owned by Daniel S. Jaffee (52,500 of which are restricted shares), two shares of Class B Stock owned by his spouse, 5,625 shares of Class B Stock he owns as trustee for his children, 125 shares of Class B Stock held in joint tenancy with his spouse and 53,125 shares of Class B Stock that he has the right to acquire within 60 days of September 30, 2008, pursuant to stock options. Of the 52,500 restricted shares of Class B Stock, 17,500 shares become non-forfeitable on December 6, 2008, and an additional 17,500 shares become non-forfeitable on the two subsequent anniversaries of that date.
- (5) Does not include shares beneficially owned by the Jaffee Investment Partnership, L.P.
- (6) Daniel S. Jaffee is Richard M. Jaffee's son.
- (7) Consists of 74 shares of Common Stock owned by Karen Jaffee Cofsky and 512 shares of Common Stock owned by her spouse. Mr. Cofsky has historically voted his shares consistently with Mrs. Cofsky's voting.
- (8) Consists of 32,957 shares of Class B Stock directly owned by Karen Jaffee Cofsky, 9,375 shares of Class B Stock she owns as trustee for her children, 376 shares of Class B Stock held in joint tenancy with her spouse, and 16,563 and 46,875 shares of Class B Stock that Mrs. Cofsky and her spouse, respectively, have the right to acquire within 60 days of September 30, 2008, pursuant to stock options. Mr. Cofsky has historically voted his shares consistently with Mrs. Cofsky's voting.
- (9) Karen Jaffee Cofsky is Richard M. Jaffee's daughter and the spouse of Thomas F. Cofsky, an executive officer of the Company.
- (10) Information is as provided by the reporting persons in a Schedule 13G filed with the SEC on February 14, 2008 by AXA Financial, Inc.; AXA, which owns AXA Financial, Inc.; and AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle and AXA Courtage Assurance Mutuelle (collectively "Mutuelles AXA") which, as a group, control AXA. According to the Schedule 13G, as of December 31, 2007,

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each of the Mutuelles AXA and AXA has sole dispositive power over 280,356 shares of Common Stock and sole voting power over 149,420 shares of Common Stock. The schedule indicates that a majority of the shares reported are held by unaffiliated third-party client accounts managed by Alliance Capital Management L.P., as investment advisor, a majority-owned subsidiary of AXA Financial, Inc. Each of the Mutuelles AXA, as a group, and AXA expressly declares that the filing of its Schedule 13G shall not be construed as an admission that it is the beneficial owner of any securities covered by the schedule.

- (11) Information is as provided by the reporting persons in a Schedule 13G/A filed with the SEC on February 6, 2008. Based on such Schedule 13G/A, Dimensional Fund Advisors Inc. ("Dimensional"), a registered investment advisor, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts. These investment companies, trusts and accounts are the "Funds." In its role as investment advisor or manager, Dimensional possesses investment and/or voting power over the shares of Common Stock owned by the Funds, and may be deemed to be the beneficial owner of those shares under applicable SEC rules; however, all of these shares are owned by the Funds, and Dimensional disclaims beneficial ownership of such shares.

- (12) Information is as provided by the reporting persons in a Schedule 13D/A filed with the SEC on June 22, 2007. Such Schedule 13D/A filed by Gabelli Funds, LLC (["Gabelli Funds"]), GAMCO Asset Management Inc. (formerly known as GAMCO Investors, Inc.), (["GAMCO"]), GAMCO Investors, Inc. (formerly known as Gabelli Asset Management Inc.) (["GBL"]), GGCP, Inc. (formerly known as Gabelli Group Capital Partners, Inc.), and Mario J. Gabelli reports: (a) 491,850 shares of Common Stock beneficially owned by GAMCO, and (b) 111,000 shares of Common Stock beneficially owned by Gabelli Funds. The Schedule 13D/A reports that each such entity has sole voting and sole dispositive power over the shares reported as beneficially owned by it, except that (i) GAMCO does not have the authority to vote 43,900 of the reported shares, (ii) Gabelli Funds has sole dispositive and voting power with respect to the shares held by such funds so long as the aggregate voting interest of all joint filers does not exceed 25% of their total voting interest in the Company, (iii) in certain circumstances, proxy voting committees of each fund may have voting power over the reported shares, and (iv) the power of Mario Gabelli, GBL, and GGCP, Inc. is indirect with respect to securities beneficially owned directly by other reporting persons.
- (13) Information is as provided by the reporting persons in a Schedule 13G/A filed with the SEC on February 8, 2008. Such Schedule 13G/A filed by Heartland Advisors, Inc., a registered investment advisor (["Heartland"]), and William J. Nasgovitz, president and principal shareholder of Heartland, reports that Heartland and Mr. Nasgovitz have shared voting power over 704,250 shares of Common Stock and shared dispositive power over 726,625 shares of Common Stock. Heartland and Mr. Nasgovitz disclaim beneficial ownership of such shares.
- (14) Information is as provided by the reporting persons in a Schedule 13G/A filed with the SEC on February 12, 2008. Such Schedule 13G/A filed by T. Rowe Price Associates, Inc., a registered investment adviser (["Price Associates"]) and T. Rowe Price Small Cap Value Fund, reports that Price Associates held sole dispositive power over 636,950 shares of Common Stock and T. Rowe Price Small Cap Value Fund held sole voting power over 630,000 shares of Common Stock. Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (15) By virtue of their direct and indirect ownership of shares of our stock, Richard M. Jaffee and the Jaffee Investment Partnership, L.P. may be deemed to be control persons of the Company under the federal securities laws.

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Security Ownership of Management

The following table shows the number of shares of Common Stock and Class B Stock of the Company beneficially owned as of September 30, 2008, by the directors, by the named executive officers and by the directors and executive officers as a group.

Name of Beneficial Owner (1)	Number of Shares of		Percentage of	Number of
	Common	Stock	Common	Shares of Class
			Stock	B Stock (2)
Richard M. Jaffee (14)		(3)		(3)
Daniel S. Jaffee		(3)		(3)
Thomas F. Cofsky (14)		(4)		(4)
J. Steven Cole	39,049	(5)(6)	*	--
Arnold W. Donald	25,000	(6)	*	--
Joseph C. Miller	22,775	(7)	*	--
Michael A. Nemeroff	17,201	(8)	*	--
Allan H. Selig	5,000		*	--
Paul E. Suckow	18,500	(8)	*	--
Charles P. Brissman	62,560	(9)	1.21%	--
Brian K. Bancroft	124	(10)	*	--
Andrew N. Peterson	23,437	(11)	*	--
All Directors and Executive Officers as a Group (13 in group)	259,742	(12)	4.87%	705,038 (13)

* Does not exceed 1%.

- (1) Beneficial ownership is determined according to the rules of the SEC and generally includes any shares over which a person possesses sole or shared power to vote or to direct the disposition of a security as well as any shares that such person has the right to acquire within 60 days of the applicable date, including through the exercise of options or other rights or the conversion of another security. All beneficial ownership is with sole voting power and sole investment power, except as described in the notes below. The applicable percentage ownership for each person listed below is based upon 5,136,158 shares of Common Stock and 1,914,797 shares of Class B Stock outstanding as of September 30, 2008. Shares of Common Stock and Class B Stock subject to options, warrants or other rights that are exercisable or convertible within 60 days after the applicable date are deemed outstanding for the purpose of calculating the percentage ownership of the person holding those options, warrants or other rights but are not treated as outstanding for the purpose of calculating the percentage ownership of any other person.
- (2) Except for Richard M. Jaffee, Daniel S. Jaffee and Thomas F. Cofsky, none of the directors or executive officers, including the named executive officers, own any shares of Class B Stock.
- (3) For information regarding the shares beneficially owned by Richard M. Jaffee and Daniel S. Jaffee, see the table under the heading "Principal Stockholders" above and the notes thereto.
- (4) For information regarding the shares beneficially owned by Thomas F. Cofsky, see the ownership of Mr. Cofsky's spouse, Karen Jaffee Cofsky, in the table under the heading "Principal Stockholders" above and the notes thereto.

- (5) Includes 1,208 shares of Common Stock owned by Mr. Cole's spouse.
- (6) Includes 25,000 shares of Common Stock that this director has the right to acquire within 60 days of September 30, 2008, pursuant to stock options.
- (7) Consists of 16,525 shares of Common Stock held by Mr. Miller as trustee for the benefit of his spouse and 6,250 shares of Common Stock that Mr. Miller has the right to acquire within 60 days of September 30, 2008, pursuant to stock options.
- (8) Includes 12,500 shares of Common Stock that this director has the right to acquire within 60 days of September 30, 2008, pursuant to stock options.
- (9) Includes 50,000 shares of Common Stock that Mr. Brissman has the right to acquire within 60 days of September 30, 2008, pursuant to stock options.
- (10) Consists of Common Stock owned by Mr. Bancroft's children.
- (11) Consists of Common Stock that Mr. Peterson has the right to acquire within 60 days of September 30, 2008, pursuant to stock options.
- (12) Includes 200,187 shares of Common Stock constituting all such shares that the directors and executive officers of the Company have the right to acquire within 60 days of September 30, 2008, pursuant to stock options (including the shares of Common Stock that may be acquired as described in the notes above and in the notes to the table under the heading "Principal Stockholders" above). The number of shares of Common Stock owned beneficially by the directors and executive officers as a group represents approximately 1.01% of the aggregate voting power of the Common Stock and Class B Stock.
- (13) Includes 100,000 shares of Class B Stock constituting all such shares that the directors and executive officers of the Company have the right to acquire within 60 days of September 30, 2008, pursuant to stock options (including the shares of Class B Stock that may be acquired as described in the notes under the

heading [Principal Stockholders] above). Also includes 52,500 restricted shares of Class B Stock, 17,500 of which become non-forfeitable on December 6, 2008, and an additional 17,500 of which become non-forfeitable on the two subsequent anniversaries of that date. Does not include shares beneficially owned by the Jaffee Investment Partnership, L.P. For information regarding the shares held by the partnership, see the table under the heading [Principal Stockholders] above and the notes thereto. The number of shares of Class B Stock owned beneficially by the directors and executive officers as a group represents approximately 34.71% of the number of outstanding shares of Class B Stock and approximately 27.49% of the aggregate voting power of the Common Stock and Class B Stock.

(14) Thomas F. Cofsky is Richard M. Jaffee's son-in-law.

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Section 16(a) Beneficial Ownership Reporting Compliance

Under SEC rules, our directors, executive officers and beneficial owners of more than 10% of the Company's Common Stock or Class B Stock are required to file reports of their ownership and changes in that ownership with the SEC. Based solely on our review of copies of these reports and representations of the reporting persons, we believe that during the fiscal year ended July 31, 2008, all reportable transactions were reported and all required reports were filed with the SEC, except for a late Form 4 disclosing one transaction for Brian K. Bancroft, in which we withheld shares to pay tax liability upon lapse of restrictions on Common Stock awarded under our 1995 Long-Term Incentive Plan. In addition, a late Form 5 disclosing two transactions that occurred during the fiscal year ended July 31, 2007, was filed for each of Daniel S. Jaffee and Richard M. Jaffee. The transactions disclosed were transfers of 143 and 146 shares of Class B Stock from one Jaffee-affiliated trust to another.

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**ATTN: INVESTOR RELATIONS
OIL-DRI CORPORATION OF AMERICA
410 N. MICHIGAN AVE #400
CHICAGO, IL 60611-4213**

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M., Eastern Time, the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by Oil-Dri Corporation of America in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M., Eastern Time, the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

HOUSEHOLDING REVOCATION

If you wish to revoke your consent to the receipt of stockholder information in a single package per household, you may do so by calling 1-800-542-1061.

TO VOTE, MARK BLOCKS BELOW IN BLUE
OR BLACK INK AS FOLLOWS:

OILDR1 KEEP THIS PORTION FOR
YOUR RECORDS

DETACH AND RETURN THIS
PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

**OIL-DRI CORPORATION OF
AMERICA**

For All **Withhold All** **For All Except**

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

Annual Meeting Proxy Card

The Board of Directors recommends a vote FOR each of the listed nominees and FOR the other proposal.

0 0 0

A Election of Directors

1. Nominees:
 01) J. Steven Cole 05) Joseph C. Miller
 02) Arnold W. Nemeroff 06) Michael A. Donald
 03) Daniel S. Jaffee 07) Allan H. Selig
 04) Richard M. Jaffee 08) Paul E. Suckow

B Issues

For Against Abstain

2. Ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent auditor for the fiscal year ending July 31, 2009. 0 0 0
3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

C Authorized Signatures - Sign Below - This section must be completed for your instructions to be executed.

Please sign exactly as your name appears on this proxy. When shares are held by joint tenants, both should sign. When signing as attorney, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by an authorized person.

For address changes and/or comments, please check this box and write them on the back where indicated.

Please indicate if you plan to attend this meeting. Yes No

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

Proxy - OIL-DRI CORPORATION OF AMERICA
410 North Michigan Avenue, Suite 400, Chicago, Illinois 60611-4213
This Proxy is solicited on Behalf of the Board of Directors

The undersigned hereby appoints Richard M. Jaffee, Daniel S. Jaffee and Charles P. Brissman as Proxies, each with the full power to appoint his substitute (the action of one, if only one be present and acting, to be in any event controlling), and hereby authorizes them to represent and to vote, as designated on the reverse side, all of the shares of Common Stock and Class B Stock of Oil-Dri Corporation of America held of record by the undersigned at the close of business on October 15, 2008, at the Annual Meeting of Stockholders to be held at The Standard Club, 320 South Plymouth Court, Chicago, Illinois, on December 9, 2008, at 10:30 a.m. local time, and any adjournments thereof, upon the proposals described in the Notice of Annual Meeting of Stockholders and Proxy Statement, both dated October 31, 2008, the receipt of which is acknowledged. The Proxies, in their discretion, are further authorized to vote for the election of a person to the Board of Directors if any of the nominees named herein becomes unavailable to serve, and to vote on any other matters which may properly come before the Annual Meeting and any adjournments thereof.

This Proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this Proxy will be voted FOR all nominees listed in Proposal 1 and FOR Proposal 2 to ratify the appointment of PricewaterhouseCoopers LLP as independent auditor. This Proxy will be voted with discretionary authority to the Proxies appointed hereby on all other matters that may properly come before the Annual Meeting and any adjournments thereof.

Please mark, sign, date and mail the proxy card promptly using the enclosed envelope.

Address Changes/Comments:

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

(Continued and to be signed on reverse side.)

