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FORM OF
TECHNOLOGY LICENSE AGREEMENT

THIS TECHNOLOGY LICENSE AGREEMENT (this "Agreement") is entered into this ____ day of _____, 2007 between SHEBOYGAN FALLS MUTUAL INSURANCE COMPANY, a Wisconsin mutual fire and casualty insurance company ("Sheboygan Falls") and DONEGAL MUTUAL INSURANCE COMPANY, a Pennsylvania mutual fire insurance company ("Donegal Mutual").

WITNESSETH:

WHEREAS, Sheboygan Falls, in order to obtain additional capital and assure its future competitive viability, entered into a Contribution Note Purchase Agreement (the "Note Purchase Agreement") dated as of December 27, 2006 with Donegal Mutual;

WHEREAS, Donegal Mutual purchased on the date hereof a contribution note (the "Contribution Note") of Sheboygan Falls in the principal amount of Three Million Five Hundred Thousand Dollars (\$3,500,000) pursuant to the Note Purchase Agreement;

WHEREAS, a condition precedent to Donegal Mutual's purchase of the Contribution Note is that Sheboygan Falls and Donegal Mutual enter into this Agreement whereby Donegal Mutual will license certain of its computer applications and systems to Sheboygan Falls on the terms and conditions set forth in this Agreement; and

WHEREAS, Sheboygan Falls and Donegal Mutual are also entering into a Services Agreement whereby Donegal Mutual will provide advice and assistance to Sheboygan Falls in connection with its on-going business operations including the IT System (as defined below);

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, and intending to be legally bound hereby, Donegal Mutual and Sheboygan Falls agree as follows:

1. Definitions. In this Agreement:

(a) "Applications" means the data processing and computer applications listed on Exhibit A to be licensed by Donegal Mutual for use by Sheboygan Falls for the following purposes:

- (1) policy underwriting, issuance and administration;

- (2) claims administration;
- (3) investment management;
- (4) payroll administration;
- (5) financial and tax accounting, bookkeeping, recordkeeping and reporting, including preparation and keeping of financial journals, ledgers, records, reports and returns relating to all categories of cash inflows and outflows, accounts payable and receivable, income accrued or received, expenses accrued or paid, assets and liabilities; and
- (6) general applications to support the foregoing and other aspects of Sheboygan Falls' business as mutually agreed by Sheboygan Falls and Donegal Mutual from time to time.

(b) "Data" means the following three types of data:

(1) "Form Data," which means data used to populate Application templates to generate standard forms such as application forms, policy forms, claims forms and financial reporting forms;

(2) "Input Data," which means data to be processed or used by an Application to generate Output Data, such as the information submitted by a policy applicant; and

(3) "Output Data," which means data generated by processing Input Data and/or Form Data on the Applications, such as a completed policy form.

(c) "Hardware" means all computers, servers, processors, routers, communications equipment, storage equipment and other devices, equipment, peripherals and hardware owned by, or leased or licensed to, Donegal Mutual and used or useful in operating the Software.

(d) "IT System" means the Applications, Hardware and Software but excludes the Data.

(e) "Software" means the machine readable object code installed and operated on the Hardware for the products listed on Exhibit A hereto as necessary or useful to support the Applications, as the same may be supplemented, updated, modified or replaced by Donegal Mutual in its reasonable discretion from time to time during the term of this Agreement.

(f) "User Documentation" means all user documentation, manuals and other materials, whether in paper, electronic or other form, provided by Software vendors and/or Donegal Mutual with respect to the Applications.

2. IT Services and License. Upon the terms and subject to the conditions set forth in this Agreement, Donegal Mutual will provide Sheboygan Falls with access to and use of the Applications on Donegal Mutual's IT System as follows:

(a) Customization of Applications. Donegal Mutual and Sheboygan Falls agree to establish, within 30 days from the date of this Agreement, a technology transition team consisting of employees of Donegal Mutual and employees of Sheboygan Falls to facilitate the customization of the Applications for use by Sheboygan Falls, with commencement of Sheboygan Fall's use of the Applications expected to occur within six months of the date of this Agreement. Conversion of the Data for all existing policyholders of Sheboygan Falls will take in excess of one year from the commencement date due to the annual renewal cycles of insurance policies. Sheboygan Falls will bear its own costs and will reimburse Donegal Mutual's costs for such customization and conversion process as more fully described under Section 3.

(b) Hosting of IT System. Donegal Mutual will host the IT System on its Hardware and will supply all Software and Applications to Sheboygan Falls. Sheboygan Falls will supply all Form Data to populate the Applications, and Donegal Mutual will host the Form Data on its Hardware. Sheboygan Falls will be responsible for reviewing, updating and maintaining the Form Data during the term of this Agreement.

(c) Administration and Maintenance of IT System. Donegal Mutual will provide, or contract with third parties to provide, all administration and maintenance of Donegal Mutual's IT System, including routine and emergency servicing and maintenance of Hardware and Software, installation and testing of all updates, new versions and patches to the Software as recommended by the vendors and/or agreed by such vendors and Donegal Mutual, routine backup of all Software and Data files hosted on the Hardware, monitoring and implementation of security procedures.

(d) Access to IT System. Sheboygan Falls and Donegal Mutual will agree to a mutually acceptable process to allow Sheboygan Falls to designate (and change) its authorized employee users from time to time. Authorized users may have full or partial access to Data and the IT System, and will have designated rights to process Data on the Applications, as designated by mutual agreement of Sheboygan Falls and Donegal Mutual. Authorized users who work in designated Sheboygan Falls facilities will have networked access to the Applications and will also have the ability to access certain Applications over the Internet. Sheboygan Falls agents who are so designated by Sheboygan Falls will have comparable access to and use of Donegal Mutual's WritePro System and WriteBiz System and Donegal Mutual's website as is afforded to agents of Donegal Mutual who are so designated by Donegal Mutual.

(e) Facilities Required. All Sheboygan Falls authorized users will need the communications facilities and services and computer equipment designated in the relevant

User Documentation, which will generally include a dedicated high-speed communications link to the IT System (to be arranged by Donegal Mutual at Sheboygan Falls' cost) for networked access, high-speed Internet access and appropriate computer systems, scanners, printers and other peripherals, local area networks and other hardware and software. All such facilities, except the dedicated high-speed communications services, will be the responsibility of Sheboygan Falls and not Donegal Mutual.

(f) User Documentation. Donegal Mutual will provide Sheboygan Falls with such access to User Documentation in Donegal Mutual's possession or control relating to the Applications as is necessary to permit use of the Applications by Sheboygan Falls as described in this Agreement.

(g) Training. At the conclusion of the customization of Applications pursuant to Section 2(a), Donegal Mutual will provide initial training for Sheboygan Falls personnel at the facilities of Sheboygan Falls or Donegal Mutual as mutually agreed by Sheboygan Falls and Donegal Mutual. The conversion charges described in Section 3(a) below include all training of Sheboygan Falls personnel to enable such personnel to utilize the Applications effectively.

(h) Form Data and Input Data. Sheboygan Falls will bear all responsibility for generating and inputting all Form Data and Input Data onto the IT System.

(i) Output Data. Donegal Mutual will use commercially reasonable efforts to ensure that the IT System is capable of generating Output Data using the Form Data and Input Data supplied by Sheboygan Falls.

(j) Data Transfers, Storage and Retrieval. All electronic files will reside on Donegal Mutual's servers at facilities owned or controlled by Donegal Mutual. In appropriate circumstances, cached or downloaded files may reside at Sheboygan Falls' facilities on a temporary or permanent basis.

(k) Customer Support. Donegal Mutual will provide Sheboygan Falls' authorized users with access to and use of its help desk resources for the same purposes and at the same service levels and hours as those made available to employees of Donegal Mutual.

(l) Sheboygan Falls, for purposes of its Customer Privacy Policy, hereby acknowledges that the Donegal Mutual employees providing the services described in this Agreement constitute a third-party insurance service provider and are authorized to have access to nonpublic personal financial information of the policyholders of Sheboygan Falls in order to perform their responsibilities under this Agreement.

(m) Donegal Mutual shall use its best efforts to provide the services described above and such other or additional services as Sheboygan Falls' Board of Directors

may from time to time request pursuant to this Agreement in such manner as Sheboygan Falls' Board of Directors, in its business judgment, exercised in accordance with applicable law, deems necessary or appropriate. Notwithstanding the foregoing, Sheboygan Falls agrees that Donegal Mutual shall have no obligation to provide services to Sheboygan Falls of a quality greater than the quality of such services that Donegal Mutual maintains for its own operations. Donegal Mutual shall include the services to be rendered by it to Sheboygan Falls pursuant to this Agreement in Donegal Mutual's disaster recovery plans.

3. Financial Arrangements. In consideration of the services and licenses provided by Donegal Mutual to Sheboygan Falls hereunder:

(a) Sheboygan Falls will reimburse Donegal Mutual for the direct costs, including salary and benefits, of Donegal Mutual's employees performing systems analysis, programming and product development services in the process of customizing the Applications as set forth in Section 2(a). Employees of Donegal Mutual performing such services will maintain a record of time spent working on the system conversion project, and costs will be charged to Sheboygan Falls on a monthly basis based upon the employees' actual hourly rates and a factor representing Donegal Mutual's average benefits cost as a percentage of salaries expense with no additional overhead charge to Sheboygan Falls. Donegal Mutual agrees that the maximum amount of such costs charged to Sheboygan Falls will not exceed \$100,000. Such costs exclude any licensing fees and third-party vendor costs Donegal Mutual will be required to pay under license agreements relating to Donegal Mutual's information systems in order to include Sheboygan Falls under such licenses and Sheboygan Falls shall reimburse Donegal Mutual for all such license fees and third-party vendor costs in addition to the costs of Donegal Mutual's services as provided in the immediately preceding sentence.

(b) Upon completion of the customization of the Applications for Sheboygan Falls, the parties will calculate and settle allocations and reimbursements for the services and license provided by Donegal Mutual to Sheboygan Falls hereunder as follows:

(1) Sheboygan Falls will be included in the calculations currently performed to determine the allocation of Donegal Mutual's information systems costs among the companies that currently receive information services from Donegal Mutual. Donegal Mutual's estimated purchase price and development costs of computer hardware and software systems required to provide such services are divided by the number of years those systems are reasonably expected to serve the respective information services requirements of Donegal Mutual and its affiliates. Such estimated annual cost is then allocated to the respective companies based upon their proportionate net written premiums in the year prior to the establishment of the allocation amounts. Donegal Mutual agrees that the percentage allocation to Sheboygan Falls will not exceed 1.0% of Sheboygan Falls' net premiums written for a period of two years following the first allocation billing.

(2) Sheboygan Falls will reimburse Donegal Mutual for the amounts so allocated on a monthly basis. Monthly allocations will be charged beginning in the month following the date of the first issuance of a Sheboygan Falls policy utilizing Donegal Mutual's IT systems.

(3) Donegal Mutual utilizes various third-party vendors that provide services to facilitate functions within its automated underwriting and claims processes. To the extent that Donegal Mutual incurs additional licensing fees or other direct charges from third-party vendors as a result of adding Sheboygan Falls to its existing contracts with third-party vendors, Sheboygan Falls will reimburse Donegal Mutual for such direct costs with no additional overhead charge to Sheboygan Falls.

(4) Sheboygan Falls will pay from its own funds all of its own operating costs and expenses and will promptly reimburse Donegal Mutual for any such costs and expenses paid by Donegal Mutual on behalf of Sheboygan Falls.

(c) All payments will be made within 30 days after each submission of an expense report by Donegal Mutual to Sheboygan Falls setting forth in reasonable detail the services performed and the expenses incurred. Sheboygan Falls may, within 30 days after the receipt of an expense report, give Donegal Mutual notice of its disagreement with any of the costs and expenses enumerated in such an expense report, and, if it does so, and Sheboygan Falls and Donegal Mutual are unable to resolve such disagreement within 60 days following Donegal Mutual's receipt of the notice from Sheboygan Falls, then such disagreement will be submitted to mediation in Madison, Wisconsin.

(d) Sheboygan Falls will be solely responsible for, and will hold harmless and indemnify Donegal Mutual, including its successors, officers, directors, employees, agents and affiliates, from and against all losses, claims, damages, liabilities and expenses, including any and all reasonable expenses and attorneys' fees and disbursements incurred in investigating, preparing or defending against any litigation or proceeding, whether commenced or threatened, or any other claim whatsoever, whether or not resulting in any liability, suffered, incurred, made, brought or asserted by any person not a party to this Agreement in connection with Donegal Mutual's provision of services to Sheboygan Falls, unless such loss, claim, damage, liability or expense results from the negligence, willful misconduct or fraud of Donegal Mutual or its officers, directors, employees, agents or affiliates or any other person engaged by Donegal Mutual to provide services to Sheboygan Falls.

(e) Donegal Mutual will be solely responsible for, and will hold harmless and indemnify Sheboygan Falls, including its successors, officers, directors, employees, agents and affiliates, from and against all losses, claims, damages, liabilities and expenses, including any and all reasonable expenses and attorneys' fees and disbursements incurred in investigating, preparing or defending against any litigation or proceeding, whether

commenced or threatened, or any other claim whatsoever, whether or not resulting in any liability, suffered, incurred, made, brought or asserted by any person not a party to this Agreement resulting from any failure of Donegal Mutual to obtain all required legal rights to use the IT System as described in Section 4(b) of this Agreement and to obtain all required licenses necessary for that use, negligence, willful misconduct or fraud of Donegal Mutual or its officers, directors, employees, agents or affiliates or any other person engaged by Donegal Mutual to provide services to Sheboygan Falls.

4. Intellectual Property Rights.

(a) Donegal Mutual (and/or its licensors/vendors) will retain ownership of all rights in the IT System, including the Sheboygan Falls customization work product for the Applications. All access to and use by Sheboygan Falls of the IT System hereunder will be a revocable license limited to the scope and purposes enumerated herein and Sheboygan Falls will acquire no other rights therein. Notwithstanding the foregoing, Sheboygan Falls will retain a non-exclusive license to customization work product for the Applications.

(b) Donegal Mutual will obtain the full legal right to use the IT System and to provide the Applications in accordance with this Agreement and to obtain all required licenses for that use. The provision of the Applications and the use of the IT System and any other material or services provided or licensed to Sheboygan Falls under this Agreement will not infringe upon the proprietary rights of any Third Party.

(c) Sheboygan Falls will own all rights in the Form Data and Input Data.

(d) Output Data may comprise derivative works that include elements of Input Data, Form Data and the Applications or Software. Any tangible copies embodying Output Data can be used and retained by Sheboygan Falls but retention of those rights does not imply ownership of the IT System.

(e) Sheboygan Falls and Donegal Mutual will coordinate their respective trade secret protection, privacy and information security policies so as to ensure each complies with (1) all applicable laws and regulations, (2) all applicable contractual commitments to third parties and (3) best business practices.

(f) Sheboygan Falls shall not, and shall not permit any of its employees, to disclose, whether orally, in writing or electronically, any confidential information regarding the IT System to any person except authorized employees of Sheboygan Falls and Donegal Mutual.

(g) Donegal Mutual agrees that its employees performing the services contemplated by this Agreement shall not disclose any nonpublic personal financial information about the policyholders of Sheboygan Falls in violation of applicable law and the Customer Privacy Policy of Sheboygan Falls.

5. Risk Allocations.

(a) Sheboygan Falls will be responsible for accuracy and entry of all Input Data and Forms Data. Sheboygan Falls will ensure that all its access control representatives and authorized users do not use the IT System or any Data held on the IT System (1) for any unlawful purpose, (2) in any manner that may cause harm to the IT System or any data residing on the IT System, (3) to provide services for any other business (whether for a fee or not) as a service bureau or otherwise or (4) for any purpose other than to operate the Applications for Sheboygan Falls.

(b) Both Sheboygan Falls and Donegal Mutual will implement commercially reasonable security procedures.

(c) Except as expressly set forth in this Agreement, neither Donegal Mutual nor Sheboygan Falls makes any representation or warranty to the other, express or implied, including, without limitation, any warranty of description, merchantability or fitness for a particular purpose.

(d) NOTWITHSTANDING ANYTHING IN THIS AGREEMENT OR ELSEWHERE TO THE CONTRARY, IN NO EVENT WILL EITHER PARTY HAVE ANY LIABILITY UNDER THIS AGREEMENT OR OTHERWISE IN RESPECT OF THE SERVICES AND LICENSES THAT ARE THE SUBJECT OF THIS AGREEMENT FOR ANY INDIRECT, CONSEQUENTIAL, INCIDENTAL, COLLATERAL, EXEMPLARY, PUNITIVE, ENHANCED, SPECIAL OR OTHER SIMILAR DAMAGES OF ANY KIND OR NATURE WHATSOEVER, INCLUDING LOST PROFITS TO THE OTHER PARTY FROM FUTURE BUSINESS OPPORTUNITIES, LOSS OF USE OR REVENUE, LOSS OF SAVINGS OR LOSSES BY REASON OF THE COST OF CAPITAL, WHETHER OR NOT THE OTHER PARTY HAS BEEN ADVISED OF, OR OTHERWISE MIGHT OR SHOULD HAVE ANTICIPATED, THE POSSIBILITY OR LIKELIHOOD OF SUCH DAMAGES.

(e) NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, EXCEPT FOR CLAIMS, DAMAGES, LIABILITIES AND EXPENSES AS DESCRIBED IN SECTION 3(e) OF THIS AGREEMENT, THE AGGREGATE LIABILITY OF EITHER PARTY TO THE OTHER UNDER THIS AGREEMENT FOR ANY REASON AND UPON ALL CLAIMS OR CAUSES OF ACTION WILL BE LIMITED TO A MAXIMUM OF THE AGGREGATE AMOUNT OF THE FEES AND EXPENSES PAID OR PAYABLE BY SHEBOYGAN FALLS TO DONEGAL MUTUAL UNDER THIS AGREEMENT. THE LIMITATION OF LIABILITY SET FORTH IN THIS SECTION 5(e) APPLIES TO ALL CAUSES OF ACTION OR CLAIMS IN THE AGGREGATE, INCLUDING BREACH OF CONTRACT, BREACH OF WARRANTY, NEGLIGENCE, STRICT LIABILITY, MISREPRESENTATION OR ANY OTHER LEGAL OR EQUITABLE GROUNDS, EXCEPT FOR CLAIMS, DAMAGES, LIABILITIES AND EXPENSES AS DESCRIBED IN SECTION 3(e) OF THIS AGREEMENT.

(f) Donegal Mutual will not be held responsible or incur any liability for any delay or failure in performance of any part of this Agreement to the extent that such delay or failure results from causes beyond its control, including fire, flood, explosion, war, labor dispute, embargo, government requirement, civil or military authority, natural disasters or other similar types of situations. If such a situation occurs, Donegal Mutual will give prompt notice to Sheboygan Falls and Donegal Mutual will use commercially reasonable efforts to resume performance, to the extent possible, as soon as practical after the cessation of the situation. This section 5(f) will not relieve Sheboygan Falls of its obligation to pay all fees and expenses that are due Donegal Mutual but may be the basis for a delay in payment.

6. Miscellaneous Provisions.

(a) This Agreement is effective on _____, 2007 and will terminate on December 31, 2010, except if extended by Sheboygan Falls as provided in Section 6(b); provided, however that this Agreement may be terminated at any time prior to such date in any of the following events:

(1) By Donegal Mutual, upon written notice to Sheboygan Falls, if Sheboygan Falls becomes insolvent or becomes subject to any voluntary or involuntary conservatorship, rehabilitation, receivership, reorganization, liquidation or bankruptcy case or proceeding or the surplus of Sheboygan Falls is less than the minimum amount of surplus required by the laws of the State of Wisconsin for the classes of insurance Sheboygan Falls is then transacting;

(2) By Donegal Mutual, upon written notice to Sheboygan Falls, if the designees of Donegal Mutual cease to constitute a majority of the members of the Board of Directors of Sheboygan Falls;

(3) By Sheboygan Falls, upon written notice to Donegal Mutual, if Donegal Mutual will become insolvent or will become subject to any voluntary or involuntary conservatorship, receivership, reorganization, liquidation or bankruptcy case or proceeding;

(4) By Sheboygan Falls, upon written notice to Donegal Mutual, subsequent to payment in full of the Contribution Note; or

(5) By Donegal Mutual or Sheboygan Falls, upon written notice to the other, upon the termination of the Services Agreement in accordance with its terms. Termination of this Agreement pursuant to this Section 5(a)(5) shall be effective on the same date as the termination of the Services Agreement becomes effective.

(b) Subject to Section 6(a), Sheboygan Falls shall have the option to extend the term of this Agreement for one additional year upon delivery of a written notice of extension to Donegal Mutual not later than 90 days prior to the expiration of the then current

term. Sheboygan Falls will have the right to exercise the extension option for five successive years commencing with an option to extend the termination date to December 31, 2011 and ending with an option to extend the termination date to December 31, 2015; provided, however, that notwithstanding one or more exercises of this extension option by Sheboygan Falls, Donegal Mutual, upon written notice to Sheboygan Falls, may have the right to terminate this Agreement 18 months after the date that:

(1) The Office of the Commissioner of Insurance of the State of Wisconsin shall have denied approval of a plan of conversion pursuant to which Sheboygan Falls would convert into a stock fire and casualty insurance company and would become a wholly owned subsidiary of Donegal Mutual or DGI; or

(2) The policyholders of Sheboygan Falls shall have failed to approve by the requisite vote a plan of conversion of Sheboygan Falls pursuant to which Sheboygan Falls would convert into a stock fire and casualty insurance company and would become a wholly owned subsidiary of Donegal Mutual or DGI.

(c) Any termination of this Agreement by Donegal Mutual pursuant to Sections 6(a)(i), 6(a)(ii) or 6(b) of this Agreement shall only become effective after (i) 18 months after written notice of such termination is given to Sheboygan Falls by Donegal Mutual and (ii) subject to the receipt of any necessary insurance regulatory approvals and filings.

(d) Donegal Mutual agrees that upon termination or expiration of this Agreement for any reason, Donegal Mutual will exercise commercially reasonable efforts and cooperation to effect an orderly and efficient transition to a successor provider of Applications.

(e) Sheboygan Falls will be responsible for any federal, state or local income, excise, ad valorem, sales or use taxes imposed with respect to the services and license made available or provided under this Agreement (other than any tax that may be imposed on the income of Donegal Mutual).

(f) Donegal Mutual will arrange for all Data residing on its Hardware to be covered by any insurance coverage it maintains for other data residing on its Hardware, and the incremental cost of such coverage will be for the account of Sheboygan Falls.

(g) All notices, communications and deliveries under this Agreement will (i) be made in writing, signed by the party making the same to the address as specified below, (ii) specify the section of this Agreement pursuant to which given, (iii) be deemed to be given if delivered in person, on the date delivered, or if sent by facsimile, on the date sent (if the party giving the notice, or its employee or agent, has no reason to believe that the facsimiled notice was not made or received), or if sent by Federal Express or some other overnight

express courier with costs paid, on the date delivered to such express courier and (iv) be deemed received if delivered in person, on the date of personal delivery, or if by facsimile, on the first business day after sent (if the party giving the notice, or its employee or agent, has no reason to believe that the facsimiled notice was not made or received), or if sent by Federal Express or some other overnight express courier, on the first business day after delivered to such overnight express courier:

if to Sheboygan Falls, to:

Sheboygan Falls Mutual Insurance Company
511 Water Street
Sheboygan Falls, WI 53085-0159
Attention: Lee F. Wilcox, President
Facsimile: 920-467-3364

if to Donegal Mutual, to:

Donegal Mutual Insurance Company
1195 River Road
Marietta, Pennsylvania 17547
Attention: Donald H. Nikolaus, President
Facsimile: 717-426-7009

Such notice will be given at such other address or to such other representative as a party to this Agreement may furnish pursuant to this Section 6(e) to the other party to this Agreement.

(h) No assignment, transfer or delegation, whether by merger or other operation of law or otherwise, of any rights or obligations under this Agreement will be made by a party to this Agreement without the prior written consent of the other party to this Agreement and, if required by applicable law, the Wisconsin Commissioner of Insurance and any other insurance regulatory authority having jurisdiction over this Agreement. This Agreement will be binding upon the parties hereto and their respective permitted successors and assigns.

(i) This Agreement constitutes the entire agreement of the parties to this Agreement with respect to its subject matter, supersedes all prior agreements, if any, of the parties to this Agreement with respect to its subject matter and may not be amended except in writing signed by the party to this Agreement against whom the change is asserted. The failure of any party to this Agreement at any time or times to require the performance of any provision of this Agreement will in no manner affect the right to enforce the same and no waiver by any party to this Agreement of any provision or breach of any provision of this Agreement in any one or more instances will be deemed or construed either as a further or

continuing waiver of any such provision or breach or as a waiver of any other provision or breach of any other provision of this Agreement.

(j) In case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein unless the deletion of such provision or provisions would result in such a material change as to cause continued performance of this Agreement as contemplated herein to be unreasonable or materially and adversely frustrate the objectives of the parties as expressed in this Agreement. In the event of a holding of invalidity so fundamental as to prevent the accomplishment of the purposes of this Agreement, the parties shall immediately commence negotiations in good faith to reach agreement on a mutually acceptable successor provision.

(k) This Agreement will be governed by and construed in accordance with the laws of the State of Wisconsin.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

SHEBOYGAN FALLS MUTUAL INSURANCE COMPANY

By: _____
Lee F. Wilcox, President

DONEGAL MUTUAL INSURANCE COMPANY

By: _____
Donald H. Nikolaus, President

Network Software:

ImageRight	Electronic Document Imaging
Allenbrook	Commercial Underwriting and Policy Issuance
www.donegalgroup.com	Internet Web Site Functionality
WritePro	Personal Lines Automated Underwriting and Policy Issuance System (Proprietary)
WriteBiz	Commercial Lines Automated Underwriting and Policy Issuance System (Proprietary)
SCSI (JBIAAS)	Report Ordering Software Utilized in WritePro Application.
Cold Fusion Web Software	Web Site Development Tool
Oracle	Database Management
Cognos	Database Report Writing Tool
Polk	Vehicle Identification Number Database
Map Info	Mapping Software used in WritePro
Mapquest	Location Software used for the Website Agency Locator.
Transall	Print Software used within Allenbrook
Group1, PC Finalist	Address Verification Software
CITRIX	Remote Access
CA, Allenbrook Interface	Interfaces Allenbrook to the Mainframe Applications.
Quest Reporter	Report Writing Tool used in WritePro
Blue Cod Products	Add-on Products to the Allenbrook Application
Phoenix Direct	Agency Front-End to Allenbrook
ACORD AL3	Industry-Standard Interface used in Data Transmission to and from Agency Systems
ISO, PPC Location, WP	Software used to Code Property Protection Classes in WritePro
SQL for WritePro	Programming Language used in WritePro
Guidewire Claims Center	Claims Management
ADP	Payroll
Great Plains Dynamics	General Ledger and Accounts Payable
Sungard EPS	Investment Accounting

Mainframe Software:

CA QA Hyperstation	Mainframe Quality Assurance Management
Docucorp	Policy Document Maintenance
CSC V7	Policy Management and Billing System
BCMS	Account Billing System
IBM VM	Mainframe Operating System Software
IBM System Software	Mainframe Operating System Software
CA System Software	Mainframe Operating System Software
MacKinney	Mainframe Operating System Software
Finalist	Address Verification Software
CompuWare System Software	Mainframe Operating System Software
Polk	Vehicle Identification Number Database
Solimar	Mainframe Interface to ImageRight