

AMENDMENT NO. 1 TO CONTRIBUTION NOTE PURCHASE AGREEMENT

THIS AMENDMENT NO. 1 (this "Amendment") made and entered into as of this 9th day of May 2007 to the Contribution Note Purchase Agreement (the "Agreement") made and entered into as of December 27, 2006 between Donegal Mutual Insurance Company, a Pennsylvania mutual fire insurance company ("Donegal Mutual") and Sheboygan Falls Mutual Insurance Company, a Wisconsin mutual fire and casualty insurance company ("Sheboygan Falls"). All capitalized terms used herein but not defined herein shall have the respective meanings assigned to them in the Agreement.

WITNESSETH:

WHEREAS, Section 7.1(b) of the Agreement provides that either Donegal Mutual or Sheboygan Falls may, by one day's written notice to the other, terminate the Agreement if the Closing shall not have been consummated on or before April 30, 2007;

WHEREAS, all Required Filings and Approvals to consummation of the Closing have not been obtained as of the date of this Agreement and it appears unlikely to Donegal Mutual and Sheboygan Falls that all Required Filings and Approvals will be obtained by April 30, 2007; and

WHEREAS, Donegal Mutual and Sheboygan Falls desire to amend the Agreement to change the date of April 30, 2007 as set forth in Section 7.1(b) of the Agreement to May 31, 2007 and to ratify and confirm in all other respects all of the agreements, covenants, representations and warranties and conditions contained in the Agreement;

NOW, THEREFORE, Donegal Mutual and Sheboygan Falls, in consideration of the agreements, covenants, representations and warranties and conditions contained in the Agreement and this Amendment, covenants and agree as follows:

1. Amendment and Restatement of Section 7.1(b) of the Agreement. Section 7.1(b) of the Agreement is hereby amended and restated so that, as amended and restated, Section 7.1(b) of the Agreement shall read in its entirety as follows:

"(b) by either Sheboygan Falls or Donegal Mutual by one day's written notice to Donegal Mutual or Sheboygan Falls, as the case may be; if the Closing shall not have been consummated on or before May 31, 2007; provided that the right to terminate this Agreement under this Section 7.1(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been

the cause of, or resulted in, the failure of the purchase and sale of the Note to have been consummated on or before such date."

2. Confirmation and Ratification of Remainder of the Agreement. Except as specifically provided in Section 1 of this Amendment, all of the agreements, covenants, representations and warranties and conditions contained in the Agreement are hereby expressly confirmed and ratified and shall remain in full force and effect.

3. Representations and Warranties.

(a) Donegal Mutual hereby represents and warrants to Sheboygan Falls that this Amendment has been duly executed and delivered by Donegal Mutual and no further corporate authorization is required on the part of Donegal Mutual in order to consummate the amendment and restatement of the Agreement contemplated by this Amendment.

(b) Sheboygan Falls hereby represents and warrants to Donegal Mutual that this Amendment has been duly executed by Sheboygan Falls and no further corporate authorization is required on the part of Sheboygan Falls in order to consummate the amendment and restatement of the Agreement contemplated by this Amendment.

IN WITNESS WHEREOF, each party has caused this Amendment to be executed on its behalf as of the date first above written.

DONEGAL MUTUAL INSURANCE COMPANY

By: _____
Donald H. Nikolaus, President

SHEBOYGAN FALLS MUTUAL INSURANCE COMPANY

By: _____
Lee F. Wilcox, President