

**RESOLUTIONS ADOPTED BY UNANIMOUS APPROVAL OF THE BOARD OF
DIRECTORS OF SHEBOYGAN FALLS MUTUAL INSURANCE COMPANY AT A
SPECIAL MEETING HELD ON OCTOBER 14, 2008**

WHEREAS, the Board of the Company approved an affiliation in December 2006 with Donegal Mutual Insurance Company ("Donegal Mutual") that contemplated the ultimate conversion (the "Conversion") of the Company from a mutual insurance company to a stock insurance corporation that would become a wholly owned subsidiary of Donegal Group Inc. ("DGI"), as permitted by Section 611.76 of the Wisconsin Statutes; and

WHEREAS, the Board resolved on October 11, 2007 to analyze the possible benefits to the Company of a Conversion; and

WHEREAS, in October 2007, the Board retained the law firm of Foley & Lardner LLP to serve as the Company's independent counsel in connection with the Conversion; and

WHEREAS, in October 2007, the Board appointed a demutualization committee (the "Demutualization Committee") consisting of James H. Fasse, Kenneth F. Maurer, Thomas A. Scribner and Lee F. Wilcox, all of whom are independent of Donegal Mutual and DGI; and

WHEREAS, in October 2007, the Demutualization Committee retained the law firm of Parrett & O'Connell, LLP to serve as the Demutualization Committee's independent counsel in connection with the Demutualization Committee's analysis of a Conversion; and

WHEREAS, since October 2007, representatives of the Board, the Demutualization Committee and Donegal Mutual have held meetings with representatives of the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI") and with each other for the purpose of discussing the Conversion of the Company; and

WHEREAS, on April 21, 2008, the Demutualization Committee adopted resolutions setting forth the Committee's determination that the Conversion of the Company would be in the best interests of the Company and its policyholders, for reasons specified in such resolutions, and recommending that the full Board move ahead with a proposed Conversion; and

WHEREAS, on April 30, 2008, the Board adopted resolutions setting forth the Board's determination that the Conversion of the Company would be in the best interests of the Company and its policyholders, for reasons specified in such

resolutions, and directing Company management to file those resolutions with OCI;
and

WHEREAS, the Board and the Demutualization Committee together with their respective counsel have reviewed and discussed a number of drafts of a plan of conversion (the "Plan"), Amended and Restated Articles of Incorporation for the Company upon its Conversion (the "Articles") and Amended and Restated Bylaws for the Company upon its Conversion (the "Bylaws"); and

WHEREAS, pursuant to Section 611.76 of the Wisconsin Statutes, in June 2008, OCI appointed an appraisal committee comprised of three qualified and disinterested persons (the "OCI Appraisal Committee") to determine the value of the Company as of the date of its Conversion; and

WHEREAS, OCI retained the investment banking firm of StoneRidge Advisors LLC ("StoneRidge") to provide information regarding the valuation of the Company and a fairness opinion to the OCI Appraisal Committee; and

WHEREAS, OCI approved the Company's retention of North Avenue Associates to provide an appraisal of the fair market value of the real estate the Company owns; and

WHEREAS, at a meeting on September 30, 2008, the OCI Appraisal Committee determined that the value of the Company at the time of its Conversion will be \$7.2 million; and

WHEREAS, the Demutualization Committee reviewed the drafts of the Plan, the Articles and the Bylaws with the assistance of its independent counsel, the valuation determination by the OCI Appraisal Committee, the valuation material and fairness opinion prepared by StoneRidge, had discussions with representatives of StoneRidge and considered such other matters as it considered relevant under the circumstances; and

WHEREAS, as a result of such review and after consultation with its independent counsel, the Demutualization Committee has determined that the Plan is fair to, and in the best interests of, the Company and its policyholders and the Demutualization Committee further recommended that the Board approve and adopt the Plan in substantially the form presented to the Demutualization Committee on October 14, 2008; and

WHEREAS, the Board has reviewed the drafts of the Plan, the Articles and the Bylaws with the assistance of its independent counsel, the valuation determination by the OCI Appraisal Committee, the valuation material and fairness opinion prepared by StoneRidge, had discussions with representatives of StoneRidge, reviewed the

recommendation of the Demutualization Committee, received a presentation from its independent counsel and considered such other matters as it considered relevant under the circumstances.

The Board hereby resolves as follows:

RESOLVED, that the Plan, a copy of which is before the Board and shall be attached to the minutes of this meeting, is hereby approved and the President of the Company is hereby directed to: 1) make any such additional filings as are required to complete the Application for Approval of the Plan by OCI and request a hearing and approval of the Plan by the Wisconsin Commissioner; and 2) upon receipt of an Order of the Wisconsin Commissioner approving the Plan, submit the Plan for approval by the policyholders of the Company at a Special Meeting to be called for that purpose. Upon approval of the Plan by the policyholders of the Company, the President of the Company, acting singly, is hereby authorized to execute and deliver the Plan for and on behalf of the Company in substantially the form before this meeting; and

FURTHER RESOLVED, that the Articles, a copy of which are before this Board and shall be attached to the minutes of this meeting, are hereby approved and, assuming approval of the Plan in the manner set forth above, the President and the Secretary of the Corporation are hereby authorized to execute and deliver the Articles in substantially the form before this meeting together with such changes therein and additions thereto as shall be approved by the President and the Secretary of the Corporation, their approval to be evidenced conclusively by their execution and delivery thereof; and

FURTHER RESOLVED, that the Bylaws, a copy of which is before this Board and shall be attached to the minutes of this meeting, are hereby approved in the form before this meeting; and

FURTHER RESOLVED, that the President of the Company is hereby authorized in the name of and on behalf of the Company to file the Articles and the Bylaws, together with all other documents or agreements as the President of the Company shall deem necessary or convenient, with OCI (collectively, the "Filing"); and

FURTHER RESOLVED, that in connection with the matters contemplated by the Plan and the Filing, the President and the Secretary of the Company, each acting singly, are hereby authorized, in the name of and on behalf of the Company, to take all such actions, enter into such other agreements and perform such further acts or deeds as either of them shall consider necessary or convenient to consummate the matters contemplated by the Plan and the Filing and the purposes and intent of the foregoing resolutions.