

Est #	18.1
Date	11/7/08
Case	08-C31480

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

WHEREAS, the Board of Directors (the "Board") of Sheboygan Falls Mutual Insurance Company (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 Board's independent counsel in connection with the Board's analysis of a 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 hereby resolves as follows:

RESOLVED, that the Demutualization Committee hereby recommends that the Board approve and adopt the Plan in substantially the form presented to the Demutualization Committee on October 14, 2008, and the transactions that are part of it, including approval of the Articles and the Bylaws.