

STONERIDGE
ADVISORS, LLC

October 13, 2008

Office of the Commissioner of Insurance - State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Ladies and Gentlemen:

You have requested our opinion, as investment bankers, as to the fairness, from a financial point of view, to the policyholders of Sheboygan Falls Mutual Insurance Company (the "Company"), as a group, of the consideration of \$7.2 million (the "Aggregate Consideration") (adjusted for any additional transaction-related expenses paid by the Company prior to the completion of the transaction) to be received in exchange for their aggregate Ownership Interests in connection with the Company's demutualization (the "Transaction") which provides for the conversion of the Company from a mutual insurance company into a stock insurance corporation, pursuant to the terms and conditions of the Plan of Conversion (the "Plan of Conversion"), which we have reviewed in draft form dated October 7, 2008. We have been advised that the Plan of Conversion, with no material differences from the draft we reviewed, will be presented to the Company's Board of Directors for approval at the meeting scheduled for October 14, 2008. The terms and conditions of the Transaction are more fully set forth in the Plan of Conversion. Capitalized terms not otherwise defined herein are used as defined in the Plan of Conversion.

You have not asked us to express, and we are not expressing, any opinion with respect to any of the other terms, conditions, determinations or actions with respect to the Transaction, including without limitation, (i) which of the Company's policyholders are to be included among the Eligible Policyholders or (ii) the fairness of the Plan of Conversion or the proposed consideration to be paid to any particular Eligible Policyholder or to any class of Eligible Policyholders in connection with the Transaction.

StoneRidge Advisors, LLC, as part of its investment banking business, is regularly engaged in performing financial analyses with respect to insurance-related businesses and their securities in connection with mergers and acquisitions, private placements as well as for corporate and other purposes. We have agreed to furnish this opinion to the State of Wisconsin Office of the Commissioner of Insurance ("OCI") and the Appraisal Committee ("AC") appointed by the OCI in connection with the Transaction. We have also agreed that the Board of Directors and the independent Demutualization Committee of the Company are entitled to rely on this opinion. We expect to receive fees for our services in providing this opinion, and OCI has agreed to reimburse our expenses related to our engagement. We have previously received a general advisory fee of \$25,000 and a fee of \$50,000 for providing a valuation analysis to the AC on September 30, 2008. We will not receive any payment or compensation contingent on the successful completion of the Transaction. The Company has agreed to indemnify us against certain liabilities arising out of our engagement as governed in the engagement agreement between us, OCI and the Company.

In connection with our review of the proposed Transaction and the preparation of our opinion herein, StoneRidge reviewed and undertook the following activities, among other things:

- reviewed a substantially final draft of the Plan of Conversion;

200 West Monroe Street | Eighteenth Floor | Chicago, Illinois 60606
1120 Avenue of the Americas | Fourth Floor | New York, New York 10036

- reviewed the Company's Wisconsin statutory financial statements for the years ended December 31, 2005, 2006 and 2007;
- reviewed the Company's Wisconsin statutory financial statements for the six months ended June 30, 2007 and 2008;
- reviewed the actuarial certification of the Company's loss and loss adjustment expense reserves and related analysis prepared by Streff Insurance Services;
- reviewed certain internal information, primarily financial in nature, concerning the Company's business and operations;
- reviewed certain publicly available information concerning the Company;
- reviewed certain publicly available information concerning the insurance industry in Wisconsin and throughout the United States;
- reviewed and analyzed certain publicly available financial and stock market data and operating statistics of selected public companies that StoneRidge deemed relevant to its inquiry;
- reviewed the real estate appraisal prepared by North Avenue Associates;
- reviewed and analyzed certain publicly available information concerning the terms of selected merger and acquisition transactions that we considered relevant to our inquiry;
- reviewed and analyzed certain publicly available information concerning insurance company conversions that we considered relevant to our inquiry;
- held meetings and discussions with certain of the Company's officers and employees concerning the Company's operations, financial condition and prospects; and
- conducted such other financial studies, analyses and investigations and considered such other information as we deemed necessary or appropriate for the purposes of our opinion.

Additionally, we have reviewed certain of the Company's internally reported financial statements for the eight months ended August 31, 2008; and certain financial analyses and forecasts prepared by management of the Company and Donegal. We have also held discussions with members of the senior management of the Company and Donegal regarding (i) their assessment of the strategic rationale for, and the potential benefits of, the Transaction, (ii) the past and current business operations and financial condition of the Company, and (iii) the future prospects of the Company. We also held a discussion with the Company's outside independent auditor.

We have assumed and relied upon, without assuming any responsibility for independent verification, the accuracy and completeness of all of information examined by, provided to, or otherwise reviewed by or discussed with us for purposes of rendering this opinion. In that regard, we have assumed, with your consent, that the forecasts reviewed by us have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the Company. We express no opinion with respect to such forecasts or the estimates or judgments on which they are based. We have been informed and relied upon the fact that there is no compensation to be paid to any officers, directors or employees of the Company in connection with the Transaction, whether pursuant to any employment, retention or other arrangements entered into in connection with the Transaction or otherwise. We have also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on the Company or on the expected benefits of the Transaction in any way material to our analysis.

Our opinion herein is necessarily based upon economic, market financial and other conditions existing on, and other information disclosed to us as of, the date of this letter. It should be understood that, although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. We are not experts in, and this opinion does not address, any of the legal, tax or accounting aspects of the Transaction. We have relied solely on the Company's legal, tax and accounting advisors for such matters.

We have reviewed a draft of the policyholder information statement dated October 3, 2008. We have assumed that the final form of the policyholder materials will not differ in any material respect from the October 3, 2008 draft.

Our opinion does not address the underlying business decision of the Company to engage in the Transaction. Our opinion as expressed herein is provided for the information and assistance of the OCI and the AC in connection with its consideration of the Transaction and our opinion does not constitute a recommendation as to how any policyholder of the Company should vote with respect to the Transaction. Additionally, members of the Board of Directors and the independent Demutualization Committee of the Company are entitled to rely on this opinion, but our opinion does not constitute a recommendation as to any action the Board of Directors or the independent Demutualization Committee should take in connection with the Transaction. It is understood that this opinion may not be summarized, described, reproduced, disseminated, quoted from, referred to or otherwise disclosed without our prior written consent, except that a copy of this opinion may be included in its entirety in any filing that is required by the OCI to be sent to the policyholders of the Company in connection with this Transaction provided that we will have the right to review and approve in advance all such disclosures to the extent permissive under applicable law.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Aggregate Consideration to be received by the policyholders of the Company, as a group, in exchange for their aggregate Ownership Interests, is fair, from a financial point of view, to such policyholders, as a group.

Very truly yours,


StoneRidge Advisors, LLC