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August 21, 2013

VIA E MAIL AND FIRST CLASS MAIL

Stephen J. Johnson, Deputy Insurance Commissioner
Commonwealth of Pennsylvania
1345 Strawberry Square
13th Floor
Harrisburg, PA 17120

Re: Form A Statement Dated March 20, 2013 Regarding the Acquisition of Control of Atlantic States Insurance Company, a Pennsylvania insurance company and wholly owned subsidiary of Donegal Group Inc., by Gregory Mark Shepard (the "Form A")

Dear Mr. Johnson:

By letter dated August 1, 2013 ("August 1 Letter"), J. Victor Peterson, as counsel to Shepard, informed the Pennsylvania Insurance Department (the "Department") that Shepard had allowed his tender offer ("Tender Offer") for 962,636 shares of DGI Class B common stock ("Class B

Shares") to expire. Nonetheless, Mr. Peterson also informed the Department that Shepard was not withdrawing the Form A originally filed more than five months ago on March 20, 2013 but that Shepard wished to amend the Form A to cover an entirely different transaction – acquisitions of 962,636 Class B Shares in the open market or through private transactions with persons unknown over an indeterminate period of time at prices to be determined if and when such transactions occurred. In furtherance of this purported "amendment", the August 1 Letter contained various deletions and insertions to the original Form A.

The original Form A related to the Tender Offer. The purported "amendment" relates to an entirely different proposed acquisition of Class B Shares, except for the bootstrap reference to the same number of shares. Given the passage of time from the original filing date of March 20, 2013 and Shepard's termination of the Tender Offer that gave rise to the Form A in the first place, DGI respectfully believes that the Department should dismiss the initial Form and the

Stephen J. Johnson, Deputy Insurance Commissioner
August 21, 2013
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August 1 Letter "amendment" and should require Shepard to file a new Form A if he intends to go forward with his current proposal.

Alternatively, if the Department denies DGI's dismissal request, DGI believes that the Form A does not comply with the requirements of 40 P.S. Section 991.1401 et seq. and 31 Pa. Code Chapter 25, is inadequate, confusing, and does not merit approval for the following reasons:

1. From the beginning of Shepard's attempts to increase his ownership of DGI Class B Shares and become a control person as defined in the Insurance Holding Companies Act, the Department has noted the inconsistency between Shepard's numerous public statements that he intended to use his position to engineer the sale or merger of DGI to or with another, larger insurer and his representations to the Department and other regulatory bodies that his acquisition of Class B Shares was not part of a future plan to make material changes in DGI or any of its insurance subsidiaries ownership or operations. The Department has given Shepard two opportunities to explain the discrepancy between his Form A statements and his numerous public statements about his dissatisfaction with the price of DGI securities and its operations and his desire to merge or sell DGI to another larger insurer. Neither of Shepard's responses dated April 25, 2013 nor July 19, 2013 to the Department has provided a credible answer to the Department's questions. The purported amendment to the Form A merely perpetuates the unexplained discrepancy.

In addition, on August 2, 2013, Shepard delivered a letter dated August 2, 2013 (the "August 2, 2013 Letter") to the Board of Directors of DGI and the Board of Directors of Donegal Mutual Insurance Company ("DMIC"), which contained an offer by Shepard to purchase 3.3 million Class B Shares from DMIC for \$22 per share, subject to certain conditions stated in the August 2, 2013 Letter, a copy of which we have attached as Exhibit "A." Contrary to the requirements of 40 P.S. Section 991.1401 et seq., Shepard failed to file a Form A seeking approval of this offer to DMIC.

On August 13, 2013, the Board of Directors of DMIC held a special meeting to review Shepard's proposal outlined in the August 2, 2013 Letter. After discussion and due deliberation, the DMIC Board of Directors unanimously determined that it was not in the best interest of DMIC, its policyholders and other constituencies for DMIC to enter into the transactions outlined in the August 2, 2013 Letter.

On August 15, 2013, Donegal Mutual sent a letter in response to the August 2, 2013 Letter, a copy of which we attach as Exhibit "B".

2. The amendment to the Form A revised Item 1 "Information About the Tender Offer" to "Information About the Proposed Purchases". Interestingly, however, the first sentence of that section, as amended, continues to state that "Mr. Shepard is acquiring shares because he believes that DGI shares are undervalued, and because there is no efficient way to

Stephen J. Johnson, Deputy Insurance Commissioner
August 21, 2013
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acquire a large number of shares through the trading market.” Given that the proposed transaction is now, in fact, an effort to acquire Class B Shares in the trading market or in private transactions, this statement is confusing at best, or indicates like the Tender Offer that preceded it, that the newly proposed transaction is also illusory and not deserving of the Department’s valuable time and resources.

3. Item 1. “Background with the Federal Reserve Board” does not disclose to the Department the substantial activities that have occurred and continue before the FRBP in connection with the FRBP’s consideration of Shepard’s Interagency Notice of Change in Control (“INCC”) regarding the same 962,636 Class B Shares that are the subject of the Form A. We have enclosed for the Department’s information as Exhibit “C”, the letter dated August 20, 2013 from David H. Pittinsky, Esquire to the FRBP on this subject. The Form A, as amended, is deficient because it fails to include material information regarding the INCC. For example, at the present time, the FRBP has extended its review of the INCC to September 11, 2013 and has requested further information from Shepard relating to the INCC.

4. As stated above and in numerous other letters we have sent to the Department on behalf of DGI, Item 5 of the Form A remains deficient because it does not provide adequate, credible information about Shepard’s future plans for DGI. For example, in the time since the Form A was first filed, Shepard has made efforts to gain financing from his brother Tracy for yet another control transaction involving DGI. See letter from the undersigned to Deputy Commissioner Johnson dated July 8, 2013 on that subject. Shepard also sent the August 2, 2013 Letter to DMIC proposing to purchase from DMIC 3.3 million Class B Shares, which proposal DMIC has rejected. See Item 1 above.

5. The last two paragraphs of Item 4 contain information about the Tender Offer, which has since been terminated. The failure to delete these paragraphs in the purported amendment may have been an inadvertent oversight, but this demonstrates the impropriety of using this truncated, purported “amendment” to evaluate Shepard’s proposed, ongoing activities.

6. Given Shepard’s letter proposal to Tracy Shepard, his offer to DMIC to purchase 3.3 million Class B Shares which DMIC has rejected, his discussions with investment bankers and banks concerning a sale of DGI referenced in the August 2, 2013 Letter, and other activities that Shepard may have engaged in during and after the Tender Offer that have not been disclosed, DGI questions whether Items 6, 10 and 11 require further information.

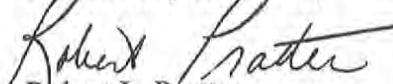
7. Item 12 has not been updated with interim financial statements. Given the fact that Shepard is proposing an entirely different transaction over an indeterminate period of time, and his representation that he will make all the acquisitions of Class B Shares covered by the Form A with his personal funds and no borrowings, DGI believes that the Department should

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require updated financial statements as of June 30, 2013 and on an ongoing quarterly basis during the pendency of this matter.¹

In addition to the foregoing, DGI continues to believe that Shepard has not satisfied his burden of proving that he has the competence, integrity and experience to acquire more Class B Shares as proposed. Please see our prior letters to you in support of DGI's position on this fundamental subject.

Respectfully submitted,


Robert L. Pratter

RLP/lmb
Enclosures

cc: Robert E. Brackbill, Jr.
Jodi Frantz, Esquire
J. Victor Peterson, Esquire

DM3\2637558.1

¹ Shepard's letter to Tracy Shepard and his offer to Donegal Mutual Insurance Company, however, either sought or referred to outside financings to acquire Class B Shares.

EXHIBIT "A"

Gregory M. Shepard
7028 Portmarnock Place
Bradenton, FL 34202
Tel 941 306-5368 Cell 309 310-1331 email gshepard2000@aol.com

August 2, 2013

VIA EMAIL AND FEDERAL EXPRESS

Board of Directors
Donegal Group Inc.
1195 River Road
Marietta, PA 17547-0302

Board of Directors
Donegal Mutual Insurance Company
1195 River Road
Marietta, PA 17547-0302

Attention: Mr. Donald H. Nikolaus, Chairman, CEO and President

Ladies and Gentlemen:


As you know, my tender offer for 962,636 of the outstanding shares of Class B Common Stock ("Class B Shares") of Donegal Group Inc. ("DGI") expired on July 31, 2013.

I would like to propose the following amicable transaction: Subject to due diligence for a period of three weeks for me and my banking institutions and to my obtaining financing on commercially reasonable terms, I would be willing to pay \$22 per share for 3,300,000 Class B Shares from Donegal Mutual. I would reduce my price from \$30 to \$22 per Class B Share because Don Nikolaus apparently believes I am overpaying for the Class B Shares at \$30 per share. After the successful acquisition of these Class B Shares, I would own 53.5% of the total voting power of DGI's equity, and 28.5% of the total stock. I have been in preliminary contact with a large investment bank, and with lending institutions, and have been informed that on an "amicable" basis, there should be no problem in facilitating the acquisition of control of DGI, especially in light of the amount of capital I would contribute to the transaction. I would not require that you withdraw DGI from the marketplace during this due diligence period and would not require any break-up fee if my offer is topped, other than to reimburse me for any commitment fees which I would be required to pay to secure the availability of financing. This offer would be subject to all applicable regulatory approvals, which you would not oppose, as this offer would be consensual. Again, I ask the DGI and Donegal Mutual Boards of Directors (the "Boards") to do their fiduciary duty, and not let DGI and Donegal Mutual continue as a Nikolaus family fiefdom.

If the Boards accept this proposal, then I would suspend my plans to acquire up to 962,636 Class B Shares in the open market and privately negotiated transactions, subject to required prior regulatory approvals.

I am available to meet with the Boards to explain why I believe such an amicable transaction would be in the best interests of Donègal Mutual and DGI, its shareholders and employees. On behalf of all DGI shareholders, I sincerely hope that you accept my invitation.

Very truly yours,



Gregory M. Shepard

EXHIBIT “B”



1195 River Road, P.O. Box 302
Marietta, Pennsylvania 17547-0302
(717) 426-1931
www.donegalgroup.com

August 15, 2013

Sent By Federal Express

Gregory M. Shepard
7028 Portmarnock Place
Bradenton, FL 34202

Dear Mr. Shepard,

The Board of Directors of Donegal Mutual Insurance Company has reviewed the proposal outlined in your letter dated August 2, 2013.

The Board of Directors is unanimous in determining that it is not in the best interests of Donegal Mutual Insurance Company, its policyholders and other constituencies for Donegal Mutual to enter into the transaction described in your proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald H. Nikolaus". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

Donald H. Nikolaus
President

EXHIBIT “C”

August 20, 2013

Via E-mail

Mr. H. Robert Tillman
Mr. Jim DePowell
Federal Reserve Bank of Philadelphia
Ten Independence Mall
Philadelphia, PA 19106

Re: Application of Gregory Mark Shepard for Permission to Acquire Shares of Donegal Group Inc. Class B Common Stock Resulting in an Increase in his Ownership of the Total Voting Power of Donegal Group Inc. Class A and Class B Common Stock From 9.9% to 22.7%

Dear Messrs. Tillman and DePowell:

By this letter, we confirm to you that Gregory Mark Shepard ("Shepard") has terminated his tender offer for 962,636 shares of Donegal Group Inc. ("DGI") Class B Common Stock by permitting his tender offer to expire in accordance with its terms on July 31, 2013. We attach as Exhibit Q Shepard Amendment No. 11 to Schedule TO that confirms this fact.

However, notwithstanding Shepard's termination of his tender offer, Shepard has stated that he "intend[s] to proceed with [his] applications with the Federal Reserve Bank of Philadelphia and the various state insurance departments, though not pursuant to the recently expired [Tender] Offer, to receive regulatory approvals to increase [his] ownership up to 22.7% of the outstanding combined Class A and Class B voting rights through open market purchases and privately negotiated transactions." See the letter dated August 1, 2013 from

Shepard to the DGI and Donegal Mutual Insurance Company ("DMIC") Boards of Directors at 3 attached as Exhibit R and Exhibit (a)(1)(P) to Shepard Amendment No. 11 to Schedule TO [Ex. Q].

Neither Shepard nor his counsel J. Victor Peterson ("Peterson") has provided us with a copy of any letter or document submitted to the Federal Reserve Bank of Philadelphia (the "FRB") amending or concerning Shepard's Interagency Notice of Change in Control (the "INCC") given the significantly changed circumstances regarding Shepard's efforts to acquire control of DGI. It is also my understanding that the Federal Reserve Bank Banking & Supervision Division (the "FRB B&S") has previously requested that Shepard provide further information on:

1. The substance of the dispute between Shepard and his former employee in the Marciniak litigation; and
2. The reasoning of the Securities and Exchange Commission in granting DGI's request to omit Shepard's shareholder proposals from its proxy statements.

If my understanding is correct and Shepard or his counsel Peterson has furnished a response, neither Shepard nor his counsel Peterson has furnished us with a copy of Shepard's response to the FRB B&S. Accordingly, we hereby request that the FRB furnish us with: (i) any letter or document submitted on behalf of Shepard on or after July 30, 2013 amending his INCC or otherwise relating to Shepard's efforts to acquire or possess control of DGI; and (ii) any response on behalf of Shepard to the FRB B&S.

Moreover, in conjunction with Shepard's termination of his tender offer, Shepard submitted to the DGI and DMIC Boards of Directors an August 2, 2013 offer to purchase from DMIC 3,300,000 DGI Class B Shares for \$22 per share. If this offer were consummated, Shepard would own 53.5% of the combined voting rights of DGI's outstanding Class A and Class B common stock. See the letter dated August 2, 2013 from Shepard to the DGI and DMIC Boards of Directors which we attach as Exhibit S. Shepard's new offer is substantially similar to the June 24, 2013 Term Sheet proposal Shepard made to his brother Tracy (the purchase from DMIC of 3,400,000 DGI Class B Shares at a price between \$22 and \$28 per share), which was the subject of our July 8, 2013 letter to the FRB. When we disclosed the Term Sheet proposal to the FRB as hard evidence of Shepard's undisclosed plan and proposal to attempt to control DGI, Shepard's counsel Peterson, in his July 10, 2013 letter to the FRB, stated that we had made "much too much" over the Term Sheet, that Shepard was merely "exploring future options" and that Shepard had "no present plans or proposals . . . other than the present tender offer."

Now, less than one month after Peterson's July 10, 2013 letter to the FRB, Shepard has made another proposal to control DGI. Moreover, in his August 2, 2013 letter proposing to acquire 3,300,000 DGI Class B Shares from DMIC, Shepard stated that he had been in "preliminary contact with a large investment bank, and with lending institutions" to arrange for financing to "facilitat[e] the acquisition of control of DGI." Letter dated August 2, 2013 from Shepard to DGI and DMIC Boards of Directors [Ex. S]. The referenced preliminary discussions obviously had to take place prior to August 2, 2013. Simply stated, Shepard's

August 2, 2013 proposal to acquire control of DGI belies Peterson's July 10, 2013 statement on Shepard's behalf that Shepard then had "no present plans or proposals . . . other than the present tender offer." Shepard's lack of candor with respect to his plans and proposals to attempt to acquire control of DGI is sufficient in our view, in and of itself, to justify the FRB in concluding that Shepard lacks the requisite competence, experience and integrity for FRB approval of his INCC.

For your information, on August 15, 2013, on behalf of the DMIC Board of Directors, Donald H. Nikolaus, President of DMIC, informed Shepard that "it [was] not in the best interests of [DMIC], its policyholders and other constituencies for Donegal Mutual to enter into the transaction described in your proposal." See the letter dated August 15, 2013 from Mr. Nikolaus to Shepard which we attach as Exhibit T.

Finally, we submit as Exhibit U to this letter a letter dated August 13, 2013 from Robert L. Pratter, a partner in the law firm of Duane Morris LLP (DGI's and DMIC's regular outside counsel), to Stephen J. Johnson, Deputy Insurance Commissioner of Pennsylvania, on behalf of DGI. As Mr. Pratter's letter points out, DGI believes that Shepard has "abandoned his original Form A." We believe the same holds true for Shepard's original INCC. Mr. Pratter's letter also provides further information concerning the insolvency and liquidation of Illinois Healthcare Insurance Company ("Illinois Healthcare"), a company wholly owned and controlled by Shepard. We believe this additional information concerning Illinois Healthcare would also justify in our view the FRB in concluding that

Mr. H. Robert Tillman

August 20, 2013

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Shepard lacks the requisite competence, experience and integrity for FRB approval of his INCC.

Respectfully submitted,

/s/ David H. Pittinsky

David H. Pittinsky

Ballard Spahr LLP

1735 Market Street, 51st Floor

Philadelphia, PA 19103-7599

Attorneys for Donegal Group Inc.

cc (via Email):

J. Victor Peterson, Esquire, Lathrop & Gage LLP

cc (via Federal Express):

Board of Governors of the Federal Reserve System, Division of Banking Supervision and Regulation, Banking Acquisitions and Activities

Mr. Steven Maggio, Director for District Licensing, Office of the Comptroller of the Currency

Mr. John Vogel, Regional Director, Federal Deposit Insurance Corporation

The Honorable Glenn E. Moyer, Secretary of Banking of the Commonwealth of Pennsylvania, Department of Banking and Securities

EXHIBIT Q

SC TO-T/A 1 k351531_sctota.htm FORM SC TO-T/A

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

SCHEDULE TO

(Rule 14D-100)

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1) OF THE SECURITIES EXCHANGE
ACT OF 1934

(AMENDMENT NO. 11)

DONEGAL GROUP INC.

(Name of Subject Company (Issuer))

GREGORY MARK SHEPARD

(Name of Filing Persons (Offeror))

CLASS B COMMON STOCK, PAR VALUE \$0.01 PER SHARE

(Title of Class of Securities)

257701300

(CUSIP Number of Class of Securities)

J. Victor Peterson

Lathrop & Gage LLP

155 North Wacker Drive

Chicago, IL 60606-1787

(312) 920-3300

(Name, Address and Telephone Numbers of Person Authorized to Receive Notices and Communications
on Behalf of Filing Person)

CALCULATION OF FILING FEE

TRANSACTION VALUATION*	AMOUNT OF FILING FEE**
\$28,879,080	\$3,939.11

* For purposes of calculating the filing fee pursuant to Rule 0-11(d) only, the transaction valuation was calculated on the basis of the purchase of 962,636 shares of Donegal Group Inc. Class B common stock at the Tender Offer price of \$30.00 per share.

** The filing fee, calculated in accordance with Rule 0-11 of the Securities Exchange Act of 1934 and Fee Rate Advisory No. 1 for fiscal year 2013 issued by the Securities and Exchange Commission on August 31, 2012, by multiplying the transaction value by 0.0001364.

Check the box if any part of the fee is offset as provided by Rule 0-11 (a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \$3,939.11
Form or Registration No.: 005-39100

Filing Parties: Gregory Mark Shepard
Date Filed: March 20, 2013

Check the box if the filing relates solely to preliminary communications made before the commencement of a Tender Offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

third-party Tender Offer subject to Rule 14d-1.

issuer Tender Offer subject to Rule 13e-4.

going-private transaction subject to Rule 13e-3.

amendment to Schedule 13 D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the Tender Offer:

This Amendment No. 11 (this "Amendment") is filed by Gregory Mark Shepard, a Florida resident ("Offeror"). This Amendment further amends and supplements the Tender Offer Statement on Schedule TO and the exhibits thereto originally filed by Offeror with the Securities and Exchange Commission (the "SEC") on March 20, 2013, as previously amended and supplemented by Amendment No. 1 thereto filed by Offeror with the SEC on March 27, 2013, Amendment No. 2 thereto filed by Offeror with the SEC on April 9, 2013, Amendment No. 3 thereto filed by Offeror with the SEC on April 11, 2013, Amendment No. 4 thereto filed by Offeror with the SEC on April 22, 2013, Amendment No. 5 thereto filed by Offeror with the SEC on May 8, 2013, and Amendment No. 6 thereto filed by Offeror with the SEC on May 17, 2013, Amendment No. 7 thereto filed by Offeror with the SEC on May 21, 2013, Amendment No. 8 thereto filed by Offeror with the SEC on June 13, 2013, Amendment No. 9 thereto filed by Offeror with the SEC on July 19, 2013, and Amendment No. 10 thereto filed by Offeror with the SEC on July 24, 2013 (as previously amended and supplemented, the "Schedule TO").

The Schedule TO relates to the offer by Offeror to purchase, for cash, 962,636 shares of Class B common stock, par value \$0.01 per share ("Class B Shares"), or such lesser number of shares as are properly tendered and not properly withdrawn, of Donegal Group Inc., a Delaware corporation (the "Company"), at a price of \$30.00 per share, net to the seller in cash, without interest thereon and less any required withholding taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase dated March 20, 2013 attached as Exhibit (a)(1)(A) to the Schedule TO (the "Offer to Purchase"), and in the related Form of Letter of Transmittal attached as Exhibit (a)(1)(B) to the Schedule TO (the "Letter of Transmittal"). Capitalized terms used in this Amendment but not otherwise defined have the meanings ascribed to them in the Offer to Purchase.

As permitted by General Instruction G to Schedule TO, this Amendment is also an amendment to the statement on Schedule 13D originally filed on July 12, 2010, as subsequently amended, by Offeror.

All information set forth in the Offer to Purchase is incorporated by reference to Items 1 through 11 in the Schedule TO, except those items as to which information is specifically provided herein.

The purpose of this Amendment is to announce that the Offer expired at 11:59 p.m., New York City time, on Wednesday, July 31, 2013, without acceptance of the tendered shares, due to the Minimum Condition and the Insurance Regulatory Approval Condition not being satisfied.

Based on information received from the Depository for the Offer, as of 5:00 p.m., New York City time, on July 31, 2013, approximately 394,215 Class B Shares had been tendered and not withdrawn from the Offer, plus an additional 1,988 shares had been submitted by guaranteed delivery. All shares tendered and not withdrawn will be promptly returned.

The Offer to Purchase is hereby amended by:

Item 11. Additional Information.

Item 11 of the Schedule TO is hereby amended and supplemented to include the following: "On August 1, 2013, Purchaser issued the Press Release that is attached hereto as Exhibit (a)(1)(O)."

Item 11 of the Schedule TO is hereby amended and supplemented to include the following: "On August 1, 2013, Purchaser sent to the Boards of Directors of the Company and Donegal Mutual Insurance Company the letter that is attached hereto as Exhibit (a)(1)(P)."

Item 12. Exhibits.

Item 12 of the Schedule TO is hereby amended and supplemented to include the following: "(a)(1)(O) Text of Press Release Regarding Offer Issued by Offeror dated August 1, 2013."

Item 12 of the Schedule TO is hereby amended and supplemented to include the following: "(a)(1)(P) Text of Letter sent by Offeror to the Boards of Directors of the Company and Donegal Mutual Insurance Company dated August 1, 2013."

* * *

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

By: /S/ GREGORY MARK SHEPARD

EXHIBIT INDEX

EXHIBIT NO. DOCUMENT

- (a)(1)(A) Offer to Purchase dated March 20, 2013. *
- (a)(1)(B) Form of Letter of Transmittal. *
- (a)(1)(C) Form of Notice of Guaranteed Delivery. *
- (a)(1)(D) Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees. *
- (a)(1)(E) Form of Letter to Clients for Use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees. *
- (a)(1)(F) Summary Advertisement as published in Investor's Business Daily on March 20, 2013. *
- (a)(1)(G) Text of Press Release Regarding Offer Issued by Offeror dated March 20, 2013. *
- (a)(1)(H) Text of Press Release Regarding Offer Issued by Offeror dated March 27, 2013. *
- (a)(1)(I) Text of Press Release Regarding Offer Issued by Offeror dated April 9, 2013. *
- (a)(1)(J) Text of Press Release Regarding Offer Issued by Offeror dated April 11, 2013. *
- (a)(1)(K) Letter from Offeror to Donald H. Nikolaus, President and CEO of the Company, dated April 10, 2013. *
- (a)(1)(L) Text of Press Release Regarding Offer Issued by Offeror dated April 22, 2013. *
- (a)(1)(M) Text of Press Release Regarding Offer Issued by Offeror dated May 8, 2013. *
- (a)(1)(N) Text of Press Release Regarding Offer Issued by Offeror dated May 21, 2013. *
- (a)(1)(O) Text of Press Release Regarding Offer Issued by Offeror dated August 1, 2013.
- (a)(1)(P) Text of Letter sent by Offeror to the Boards of Directors of the Company and Donegal Mutual Insurance Company dated August 1, 2013.
- (b) Not Applicable.
- (d)(1) Not Applicable.
- (d)(2) Not Applicable.
- (d)(3) Not Applicable.
- (e) Not Applicable.
- (f) Not Applicable.

* Previously filed.

EX-99(A)(1)(O)2 k351531_exaio.htm EXHIBIT (A)(1)(O)

Exhibit (a)(1)(O)

FOR IMMEDIATE RELEASE

Tender Offer for Donegal Group Class B Shares by Gregory Shepard Expires

Bradenton, Florida, August 1, 2013 (NASDAQ: "DGICB") – Gregory Mark Shepard announced today that his tender offer for 962,636 shares of Class B Common Stock ("Class B Shares") of Donegal Group Inc. ("Donegal") at a price of \$30 per share (the "Offer") expired at 11:59 p.m., New York City time, on July 31, 2013.

Mr. Shepard stated, "The Offer expired on July 31, 2013, and was not further extended. Class B Shares that have been tendered and not withdrawn will be promptly returned and not accepted for payment, because the 'Minimum Condition' and the 'Insurance Regulatory Approval Condition' of the Offer have not been satisfied. The 'Minimum Condition' required at least 925,000 Class B Shares to have been tendered and not withdrawn. Even if the Minimum Condition were reduced by the 196,000 Class B Shares owned by Donegal insiders, it still would not have been satisfied."

Mr. Shepard added, "The 'Insurance Regulatory Approval Condition' required the approval of my purchase of additional Class B Shares pursuant to the Offer by the insurance departments of the six states where Donegal's insurance subsidiaries are located. Although the Offer was open for over four months, none of these approvals has been received."

Based on information received from the Depository for the Offer, as of 5:00 p.m., New York City time, on July 31, 2013, approximately 394,215 Class B Shares had been tendered and not withdrawn from the Offer, plus an additional 1,988 shares had been submitted by guaranteed delivery. All shares tendered and not withdrawn will be promptly returned.

EX-99(A)(1)(P) 3.k351531_exaip.htm EXHIBIT (A)(1)(P)

Exhibit (a)(1)(P)

August 1, 2013

VIA EMAIL AND FEDERAL EXPRESS

Board of Directors
Donegal Group Inc.
1195 River Road
Marietta, PA 17547-0302

Board of Directors
Donegal Mutual Insurance Company
1195 River Road
Marietta, PA 17547-0302

Attention: Mr. Donald H. Nikolaus, Chairman, CEO and President

Gentlemen:

On March 20, 2013, I announced a tender offer for 962,636 of the outstanding shares of Class B Common Stock ("Class B Shares") of Donegal Group Inc. ("DGI") at a price of \$30 per Class B Share (the "Offer"). The Offer represented approximately a 42% premium to the closing price of the Class B Shares on the NASDAQ on March 19, 2013 – the last full trading day prior to the commencement of the Offer.

On April 3, 2013, DGI filed a Solicitation/Recommendation Statement on Schedule 14D-9 recommending that the holders of Class B Shares reject the Offer and not tender their Class B Shares. The DGI Board of Directors and the Special Committee stated that they believed the Offer was illusory because the conditions could not be satisfied by the April 19, 2013 Expiration Date or within a reasonable period of time thereafter. DGI voiced no objection to the adequacy of my \$30 per Class B Share Offer price.

On April 17, 2013, during DGI's 1st quarter 2013 earnings conference call, DGI's CEO Don Nikolaus answered a stock analyst question regarding the adequacy of my \$30 per Class B Share Offer price by saying "first of all, as in our 14 D-9 we believe that the tender offer is illusory. There are many conditions over which Mr. Shepard has no control but he has set those as conditions that he would not pay such a price unless they are met. But the concept, set that aside, the concept that the shares of DGI have a value that is potentially twice the current book value, if you look at the historical views of Mr. Shepard are based upon the concept that the mutual company would be part of a transaction and it would give itself away and its 66% ownership without consideration or very little consideration so it is... so it is you know a difficult concept to rationalize." Mr. Nikolaus appears to be focused on Donegal Mutual's combined Class A and Class B voting percentage ownership. Donegal Mutual, however, only owns 46% of the combined Class A and Class B Shares.

On April 22, 2013, I filed an amendment to the Offer dropping the director representation and waiving the restriction on future grants of Class A Share options. I extended the Offer until May 20, 2013, to permit the regulatory agencies to process the required applications. I also announced that as of April 19, 2013, approximately 362,745 Class B Shares had been tendered and not withdrawn, plus an additional 8,872 Class B Shares submitted by guaranteed delivery. I noted that DGI had voiced no objection to the adequacy of my \$30 per Class B Share Offer price.

On May 2, 2013, DGI filed an amended Solicitation/Recommendation Statement on Schedule 14D-9 again recommending that the holders of Class B Shares reject the Offer and not tender their Class B Shares. The DGI Board of Directors and the Special Committee again stated that they believed the Offer was illusory because the conditions (mostly regulatory approvals) could not be satisfied by the May 20, 2013 Expiration Date, or within a reasonable period of time thereafter. DGI again voiced no objection to the adequacy of my \$30 per Class B Share Offer price.

On May 21, 2013, I filed another amendment to the Offer extending the Offer until July 31, 2013, to permit regulatory agencies additional time to process the required applications. I also announced that as of May 20, 2013, approximately 381,216 Class B Shares had been tendered and not withdrawn, plus an additional 2,324 Class B Shares submitted by guaranteed delivery.

On May 29, 2013, DGI filed an amended Solicitation/Recommendation Statement on Schedule 14D-9 again recommending that the holders of Class B Shares reject the Offer and not tender their Class B Shares. The DGI Board of Directors and the Special Committee again stated that they believed the Offer was illusory because the conditions (mostly regulatory approvals) could not be satisfied by the July 31, 2013 Expiration Date. DGI again voiced no objection to the adequacy of my \$30 per Class B Share Offer price.

As of July 31, 2013, approximately 394,215 Class B Shares had been tendered and not withdrawn, plus an additional 1,988 Class B Shares had been submitted by guaranteed delivery.

Today, I am NOT further extending the Offer for the following reasons: 1) The failure of a sufficient number of shares to be tendered into the Offer to satisfy the Offer's Minimum Condition of 925,000 Class B Shares (and even if the 196,122 Class B Shares owned by the DGI insiders, according to DGI's Proxy Statement filed on March 18, 2013, were subtracted from the Minimum Condition requirement, the number of Class B Shares tendered into the Offer would still be insufficient to meet the Minimum Condition, as so adjusted); and 2) The non-satisfaction of the Insurance Regulatory Approval Condition (i.e., the necessary approvals by the insurance departments of six states). I have kept the Offer open for nearly 4 ½ months and have not received regulatory approvals, in part because Don Nikolaus and his many law firms vigorously opposed and obstructed the Offer with the regulators at every opportunity.

Accordingly, I will not purchase any of the Class B Shares that have been tendered. All shares that have been tendered and not withdrawn will be returned promptly.

Instead, I intend to proceed with my applications with the Federal Reserve Bank of Philadelphia and the various state insurance departments, though not pursuant to the recently expired Offer, to receive regulatory approvals to increase my ownership up to 22.7% of the outstanding combined Class A and Class B voting rights.

Very truly yours,

/s/ Gregory M. Shepard
Gregory M. Shepard

EXHIBIT R

Gregory M. Shepard
7028 Portmarnock Place
Bradenton, FL 34202
Tel 941 306-5368 Cell 309 310-1331 email gshepard2000@aol.com

August 1, 2013

VIA EMAIL AND FEDERAL EXPRESS

Board of Directors
Donegal Group Inc.
1195 River Road
Marietta, PA 17547-0302

Board of Directors
Donegal Mutual Insurance Company
1195 River Road
Marietta, PA 17547-0302

Attention: Mr. Donald H. Nikolaus, Chairman, CEO and President

Gentlemen:

On March 20, 2013, I announced a tender offer for 962,636 of the outstanding shares of Class B Common Stock ("Class B Shares") of Donegal Group Inc. ("DGI") at a price of \$30 per Class B Share (the "Offer"). The Offer represented approximately a 42% premium to the closing price of the Class B Shares on the NASDAQ on March 19, 2013 - the last full trading day prior to the commencement of the Offer.

On April 3, 2013, DGI filed a Solicitation/Recommendation Statement on Schedule 14D-9 recommending that the holders of Class B Shares reject the Offer and not tender their Class B Shares. The DGI Board of Directors and the Special Committee stated that they believed the Offer was illusory because the conditions could not be satisfied by the April 19, 2013 Expiration Date or within a reasonable period of time thereafter. DGI voiced no objection to the adequacy of my \$30 per Class B Share Offer price.

On April 17, 2013, during DGI's 1st quarter 2013 earnings conference call, DGI's CEO Don Nikolaus answered a stock analyst question regarding the adequacy of my \$30 per Class B Share Offer price by saying "first of all, as in our 14 D-9 we believe that the tender offer is illusory. There are many conditions over which Mr. Shepard has no control but he has set those as conditions that he would not pay such a price unless they are met. But the concept, set that aside, the concept that the shares of DGI have a value that is potentially twice the current book value, if you look at the historical views of Mr. Shepard are based upon the concept that the mutual company would be part of a transaction and it would give itself away and its 66% ownership without consideration or very little consideration so it is... so it is you know a difficult concept to rationalize." Mr. Nikolaus appears to be focused on Donegal Mutual's combined Class A and Class B voting percentage ownership. Donegal Mutual, however, only owns 46% of the combined Class A and Class B Shares.

On April 22, 2013, I filed an amendment to the Offer dropping the director representation and waiving the restriction on future grants of Class A Share options. I extended the Offer until May 20, 2013, to permit the regulatory agencies to process the required applications. I also announced that as of April 19, 2013, approximately 362,745 Class B Shares had been tendered and not withdrawn, plus an additional 8,872 Class B Shares submitted by guaranteed delivery. I noted that DGI had voiced no objection to the adequacy of my \$30 per Class B Share Offer price.

On May 2, 2013, DGI filed an amended Solicitation/Recommendation Statement on Schedule 14D-9 again recommending that the holders of Class B Shares reject the Offer and not tender their Class B Shares. The DGI Board of Directors and the Special Committee again stated that they believed the Offer was illusory because the conditions (mostly regulatory approvals) could not be satisfied by the May 20, 2013 Expiration Date, or within a reasonable period of time thereafter. DGI again voiced no objection to the adequacy of my \$30 per Class B Share Offer price.

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As of July 31, 2013, approximately 394,215 Class B Shares had been tendered and not withdrawn, plus an additional 1,988 Class B Shares submitted by guaranteed delivery.

Today, I am NOT further extending the Offer for the following reasons: 1) The failure of a sufficient number of shares to be tendered into the Offer to satisfy the Offer's Minimum Condition of 925,000 Class B Shares (and even if the 196,122 Class B Shares owned by the DGI insiders, according to DGI's Proxy Statement filed on March 18, 2013, were subtracted from the Minimum Condition requirement, the number of Class B Shares tendered into the Offer would still be insufficient to meet the Minimum Condition, as so adjusted); and 2) The non-satisfaction of the Insurance Regulatory Approval Condition (i.e., the necessary approvals by the insurance departments of six states). I have kept the Offer open for nearly 4 ½ months and have not received regulatory approvals, in part because Don Nikolaus and his many law firms vigorously opposed and obstructed the Offer with the regulators at every opportunity.

Accordingly, I will not purchase any of the Class B Shares that have been tendered. All shares that have been tendered and not withdrawn will be returned promptly.

Instead, I intend to proceed with my applications with the Federal Reserve Bank of Philadelphia and the various state insurance departments, though not pursuant to the recently expired Offer, to receive regulatory approvals to increase my ownership up to 22.7% of the outstanding combined Class A and Class B voting rights through open market purchases and privately negotiated transactions.

Very truly yours,



Gregory M. Shepard

EXHIBIT S

Gregory M. Shepard
7028 Portmarnock Place
Bradenton, FL 34202
Tel 941 306-5368 Cell 309 310-1331 email gshepard2000@aol.com

August 2, 2013

VIA EMAIL AND FEDERAL EXPRESS

Board of Directors
Donegal Group Inc.
1195 River Road
Marietta, PA 17547-0302

Board of Directors
Donegal Mutual Insurance Company
1195 River Road
Marietta, PA 17547-0302

Attention: Mr. Donald H. Nikolaus, Chairman, CEO and President

Ladies and Gentlemen:

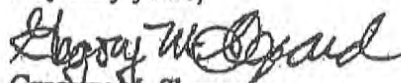
As you know, my tender offer for 962,636 of the outstanding shares of Class B Common Stock ("Class B Shares") of Donegal Group Inc. ("DGI") expired on July 31, 2013.

I would like to propose the following amicable transaction: Subject to due diligence for a period of three weeks for me and my banking institutions and to my obtaining financing on commercially reasonable terms, I would be willing to pay \$22 per share for 3,300,000 Class B Shares from Donegal Mutual. I would reduce my price from \$30 to \$22 per Class B Share because Don Nikolaus apparently believes I am overpaying for the Class B Shares at \$30 per share. After the successful acquisition of these Class B Shares, I would own 53.5% of the total voting power of DGI's equity, and 28.5% of the total stock. I have been in preliminary contact with a large investment bank, and with lending institutions, and have been informed that on an "amicable" basis, there should be no problem in facilitating the acquisition of control of DGI, especially in light of the amount of capital I would contribute to the transaction. I would not require that you withdraw DGI from the marketplace during this due diligence period and would not require any break-up fee if my offer is topped, other than to reimburse me for any commitment fees which I would be required to pay to secure the availability of financing. This offer would be subject to all applicable regulatory approvals, which you would not oppose, as this offer would be consensual. Again, I ask the DGI and Donegal Mutual Boards of Directors (the "Boards") to do their fiduciary duty, and not let DGI and Donegal Mutual continue as a Nikolaus family fiefdom.

If the Boards accept this proposal, then I would suspend my plans to acquire up to 962,636 Class B Shares in the open market and privately negotiated transactions, subject to required prior regulatory approvals.

I am available to meet with the Boards to explain why I believe such an amicable transaction would be in the best interests of Donegal Mutual and DGI, its shareholders and employees. On behalf of all DGI shareholders, I sincerely hope that you accept my invitation.

Very truly yours,



Gregory M. Shepard

EXHIBIT T



1195 River Road, P.O. Box 302
Marietta, Pennsylvania 17547-0302
(717) 426-1931
www.donegalgroup.com

August 15, 2013

Sent By Federal Express

Gregory M. Shepard
7028 Portmarnock Place
Bradenton, FL 34202

Dear Mr. Shepard,

The Board of Directors of Donegal Mutual Insurance Company has reviewed the proposal outlined in your letter dated August 2, 2013.

The Board of Directors is unanimous in determining that it is not in the best interests of Donegal Mutual Insurance Company, its policyholders and other constituencies for Donegal Mutual to enter into the transaction described in your proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald H. Nikolaus", written in a cursive style.

Donald H. Nikolaus
President

EXHIBIT U

ROBERT L. PRATTER
DIRECT DIAL: 215 979 1173
PERSONAL FAX: 215 754 4845
E-MAIL: rlpratter@duanemorris.com

www.duanemorris.com

August 13, 2013

VIA E-MAIL AND FIRST CLASS MAIL

Stephen J. Johnson, Deputy Insurance Commissioner
Commonwealth of Pennsylvania
1345 Strawberry Square
13th Floor
Harrisburg, PA 17120

**Re: Form A Statement Dated March 20, 2013 (the "Form A")
Regarding the Acquisition of Control of Atlantic States Insurance
Company, a Pennsylvania insurance company and wholly owned subsidiary of
Donegal Group Inc. ("DGI") Gregory Mark Shepard ("Shepard")**

Dear Mr. Johnson:

On August 1, 2013, Gregory Mark Shepard filed Amendment No. 11 to his Schedule TO with the Securities and Exchange Commission, and an accompanying press release. Both documents reported that Shepard had allowed the hostile tender offer (the "Tender Offer") by which Shepard had sought to purchase 962,636 shares of DGI Class B shares for \$30.00 per share to expire. Shepard's abandonment of his Tender Offer confirms the April 2013 recommendation of DGI's Board of Directors made to the holders of DGI Class B common stock that Shepard's Tender Offer was illusory. DGI communicated that same position to the Pennsylvania Insurance Department (the "Department"), the insurance regulators in the five other states in which DGI has subsidiaries domiciled and the Federal Reserve Bank of Philadelphia (the "FRBP").

With the termination of the Tender Offer, DGI believes that Shepard has also abandoned his original Form A. We note for the record that Shepard did not file his original Form A with the Department on a timely basis in violation of Section 1402 of the Pennsylvania Insurance Holding Companies Act, as amended (the "Act"). Shepard's recently filed purported "amendment" to his Form A that appears on the Department's public website also was not filed within the time Section 1402 requires. We reserve the right on behalf of DGI to comment upon the purported amendment after DGI has had an opportunity to review it.

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MEXICO CITY
ALLIANCE WITH
MIRANDA & ESTAVILLO

August 13, 2013

Turning to another matter, the July 19, 2013 letter from J. Victor Peterson to Robert E. Brackbill, Jr. (the "July 19 letter") purported to respond to the Department's letter dated June 19, 2013. The Department's June 19th letter was the Department's second round of questions and comments addressed to Shepard because Mr. Peterson's prior letter response to the Department dated April 25, 2013 was incomplete and misleading in several major respects.¹

For the Department's convenience, we have numbered our comments as to the July 19 letter so that our paragraphs numbers correspond to the paragraph numbers Mr. Peterson used in the July 19 letter.

3. The Department asked Shepard to discuss the conflict between his statements in the Form A, the Tender Offer and his press releases regarding his plans to merge DGI's insurance subsidiaries into another larger insurance company. Rather than addressing the Department's question, the July 19 letter response merely repeats Shepard's prior contradictory explanations and consistently refused to explain the conflict the Department noted.

11. DGI has been seeking public disclosure of Shepard's financial and biographical information on its own behalf as the target of Shepard's Form A and on behalf of its policyholders and the public. These DGI constituencies have a legal right to public access to such information. DGI specifically denies Shepard's baseless charge that it has been seeking public disclosure of this relevant information to impede the Tender Offer "... on all fronts by attempting to embarrass him and make him vulnerable to identity theft and fraud ...". DGI believes strongly that the public is entitled to all of the information Shepard filed with the Department. Shepard has never satisfied the heavy burden to justify redaction of the value of certain material assets listed on Shepard's financial statements that he filed with the Department.

Additional Item 2

The Department requested additional information regarding Shepard's involvement with Illinois Healthcare Insurance Company ("Illinois Healthcare") and an explanation of Shepard's involvement with an insurance company that the Illinois Insurance Department (the "Illinois Department") declared insolvent. Shepard's history with Illinois Healthcare and other companies discussed below provide ample evidence of Shepard's failure to meet the competence, experience and integrity standard set forth in Section 1402 (f)(v) of the Act.

The July 19 letter response includes an abbreviated, sanitized history of Shepard's involvement with Illinois Healthcare and a number of other affiliated insurance and other companies that Shepard controlled, including American Union Life Insurance Company ("AULIC"), American Union Insurance Company ("AUIC") and Illinois HealthCare. The July 19

¹ Although Shepard has abandoned his tender offer, he continues to circulate plans to gain control of DGI. Therefore, these comments remain relevant.

Stephen J. Johnson, Deputy Insurance Commissioner

Page 3

August 13, 2013

letter attributes the insolvency of Illinois Healthcare to the decision by the State of Illinois not to enroll its Medicaid members in managed care, losses and expenses AULIC and Illinois Healthcare incurred after AUIC sold Union Auto Indemnity Company and its property and casualty operations on January 1, 1997, and cost shifting/adverse selection in the 1990's from public plans to the indemnity plans AULIC and Illinois Healthcare sold. DGI believes that the Department should carefully scrutinize the accuracy and completeness of those reasons that Shepard has asserted. Moreover, as the driving force behind Illinois Healthcare and its business plans, Shepard cannot disclaim responsibility for the failure of Illinois Healthcare, particularly to the extent that it involved transactions with other companies under Shepard's control.

The July 19 letter caps off Shepard's attempted explanation of Illinois Healthcare's insolvency and liquidation with nonchalant statements that "insurance insolvencies happen" and that "policyholders are not hurt." These views alone warrant disapproval of Shepard's Form A and other requests by Shepard of the Department. In the case of Illinois Healthcare's insolvency and the Illinois Life and Health Insurance Guaranty Association's assumption of its policyholder obligations, Shepard's conclusory assertions that no policyholders were hurt is not a truthful statement. In 2000, when the Circuit Court of Cook County declared Illinois Healthcare insolvent, the Illinois Life and Health Insurance Guaranty Association Law ("GA Law") provided a \$300,000 coverage limit with respect to health insurance benefits assumed for any one life. A policyholder above the \$300,000 limit had no coverage or protection. Moreover, under Section 531.09(8) of the GA Law in effect in 2000, other member insurers were permitted to factor into their rates and policyholder dividends the amounts reasonably necessary to meet their GA Law assessment obligations. Therefore, Illinois Healthcare's insolvency adversely affected its policyholders as well as other insurance companies domiciled in Illinois and their policyholders.

The July 19 letter closes with two pages of accolades about Shepard's various real estate activities, attendance at charitable fundraisers, gifts and hospitality for his 40th high school reunion. None of this information is relevant to the Department's consideration or its review of Shepard's Form A as purportedly amended and Shepard's other requests of the Department.

Shepard's business history, including, but not limited to, his regulatory record with respect to Illinois Healthcare, AULIC, AUIC, and his other insurance company affiliates, demonstrate Shepard's cavalier approach to the reasonable requirements of the Illinois Insurance Department. His direct responsibility for Illinois Healthcare's insolvency and liquidation also stand in sharp contrast to DGI's excellent business and regulatory record.

Donegal Mutual Insurance Company ("DMIC") commenced operations in Pennsylvania in 1889 and is the parent of DGI. DMIC and DGI's insurance subsidiaries conduct business together as the "Donegal Insurance Group". The Donegal Insurance Group has a well-deserved record of excellent service to its policyholders and has built a solid history of proactive compliance with the Department and the insurance regulators in Iowa, Maryland, Michigan, Wisconsin and Virginia which are the states of domicile of other Donegal Insurance Group members. In addition, the

Stephen J. Johnson, Deputy Insurance Commissioner

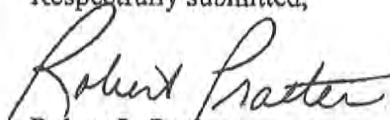
Page 4

August 13, 2013

Donegal Insurance Group enjoys a prominent, favorable reputation in the property and casualty insurance industry and has had an A.M. Best rating of A (Excellent) for many years.

DGI respectfully submits based upon Shepard's historical insurance background and other factors we have described on behalf of DGI in our prior correspondence with the Department, that Shepard does not have the requisite competence, experience and integrity to warrant the Department's approval of Shepard's currently pending Form A.

Respectfully submitted,



Robert L. Pratter

RLP/lmb

cc: Robert E. Brackbill, Jr.
Jodi Frantz, Esquire
J. Victor Peterson, Esquire
Donald H. Nikolaus
Frederick W. Dreher, Esquire

ROBERT L. PRATTER
DIRECT DIAL: 215 979 1173
PERSONAL FAX: 215 754 4845
E-MAIL: rpratter@duanemorris.com

www.duanemorris.com

August 21, 2013

VIA E MAIL AND FIRST CLASS MAIL

Stephen J. Johnson, Deputy Insurance Commissioner
Commonwealth of Pennsylvania
1345 Strawberry Square
13th Floor
Harrisburg, PA 17120

Re: Form A Statement Dated March 20, 2013 Regarding the Acquisition of Control of Atlantic States Insurance Company, a Pennsylvania insurance company and wholly owned subsidiary of Donegal Group Inc., by Gregory Mark Shepard (the "Form A")

Dear Mr. Johnson:

By letter dated August 1, 2013 ("August 1 Letter"), J. Victor Peterson, as counsel to Shepard, informed the Pennsylvania Insurance Department (the "Department") that Shepard had allowed his tender offer ("Tender Offer") for 962,636 shares of DGI Class B common stock ("Class B

Shares") to expire. Nonetheless, Mr. Peterson also informed the Department that Shepard was not withdrawing the Form A originally filed more than five months ago on March 20, 2013 but that Shepard wished to amend the Form A to cover an entirely different transaction – acquisitions of 962,636 Class B Shares in the open market or through private transactions with persons unknown over an indeterminate period of time at prices to be determined if and when such transactions occurred. In furtherance of this purported "amendment", the August 1 Letter contained various deletions and insertions to the original Form A.

The original Form A related to the Tender Offer. The purported "amendment" relates to an entirely different proposed acquisition of Class B Shares, except for the bootstrap reference to the same number of shares. Given the passage of time from the original filing date of March 20, 2013 and Shepard's termination of the Tender Offer that gave rise to the Form A in the first place, DGI respectfully believes that the Department should dismiss the initial Form and the

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MIRANDA & ESTAVILLO

Stephen J. Johnson, Deputy Insurance Commissioner

August 21, 2013

Page 2

August 1 Letter "amendment" and should require Shepard to file a new Form A if he intends to go forward with his current proposal.

Alternatively, if the Department denies DGI's dismissal request, DGI believes that the Form A does not comply with the requirements of 40 P.S. Section 991.1401 et seq. and 31 Pa. Code Chapter 25, is inadequate, confusing, and does not merit approval for the following reasons:

1. From the beginning of Shepard's attempts to increase his ownership of DGI Class B Shares and become a control person as defined in the Insurance Holding Companies Act, the Department has noted the inconsistency between Shepard's numerous public statements that he intended to use his position to engineer the sale or merger of DGI to or with another, larger insurer and his representations to the Department and other regulatory bodies that his acquisition of Class B Shares was not part of a future plan to make material changes in DGI or any of its insurance subsidiaries ownership or operations. The Department has given Shepard two opportunities to explain the discrepancy between his Form A statements and his numerous public statements about his dissatisfaction with the price of DGI securities and its operations and his desire to merge or sell DGI to another larger insurer. Neither of Shepard's responses dated April 25, 2013 nor July 19, 2013 to the Department has provided a credible answer to the Department's questions. The purported amendment to the Form A merely perpetuates the unexplained discrepancy.

In addition, on August 2, 2013, Shepard delivered a letter dated August 2, 2013 (the "August 2, 2013 Letter") to the Board of Directors of DGI and the Board of Directors of Donegal Mutual Insurance Company ("DMIC"), which contained an offer by Shepard to purchase 3.3 million Class B Shares from DMIC for \$22 per share, subject to certain conditions stated in the August 2, 2013 Letter, a copy of which we have attached as Exhibit "A." Contrary to the requirements of 40 P.S. Section 991.1401 et seq., Shepard failed to file a Form A seeking approval of this offer to DMIC.

On August 13, 2013, the Board of Directors of DMIC held a special meeting to review Shepard's proposal outlined in the August 2, 2013 Letter. After discussion and due deliberation, the DMIC Board of Directors unanimously determined that it was not in the best interest of DMIC, its policyholders and other constituencies for DMIC to enter into the transactions outlined in the August 2, 2013 Letter.

On August 15, 2013, Donegal Mutual sent a letter in response to the August 2, 2013 Letter, a copy of which we attach as Exhibit "B".

2. The amendment to the Form A revised Item 1 "Information About the Tender Offer" to "Information About the Proposed Purchases". Interestingly, however, the first sentence of that section, as amended, continues to state that "Mr. Shepard is acquiring shares because he believes that DGI shares are undervalued, and because there is no efficient way to

Stephen J. Johnson, Deputy Insurance Commissioner
August 21, 2013
Page 3

acquire a large number of shares through the trading market.” Given that the proposed transaction is now, in fact, an effort to acquire Class B Shares in the trading market or in private transactions, this statement is confusing at best, or indicates like the Tender Offer that preceded it, that the newly proposed transaction is also illusory and not deserving of the Department’s valuable time and resources.

3. Item 1. “Background with the Federal Reserve Board” does not disclose to the Department the substantial activities that have occurred and continue before the FRBP in connection with the FRBP’s consideration of Shepard’s Interagency Notice of Change in Control (“INCC”) regarding the same 962,636 Class B Shares that are the subject of the Form A. We have enclosed for the Department’s information as Exhibit “C”, the letter dated August 20, 2013 from David H. Pittinsky, Esquire to the FRBP on this subject. The Form A, as amended, is deficient because it fails to include material information regarding the INCC. For example, at the present time, the FRBP has extended its review of the INCC to September 11, 2013 and has requested further information from Shepard relating to the INCC.

4. As stated above and in numerous other letters we have sent to the Department on behalf of DGI, Item 5 of the Form A remains deficient because it does not provide adequate, credible information about Shepard’s future plans for DGI. For example, in the time since the Form A was first filed, Shepard has made efforts to gain financing from his brother Tracy for yet another control transaction involving DGI. See letter from the undersigned to Deputy Commissioner Johnson dated July 8, 2013 on that subject. Shepard also sent the August 2, 2013 Letter to DMIC proposing to purchase from DMIC 3.3 million Class B Shares, which proposal DMIC has rejected. See Item 1 above.

5. The last two paragraphs of Item 4 contain information about the Tender Offer, which has since been terminated. The failure to delete these paragraphs in the purported amendment may have been an inadvertent oversight, but this demonstrates the impropriety of using this truncated, purported “amendment” to evaluate Shepard’s proposed, ongoing activities.

6. Given Shepard’s letter proposal to Tracy Shepard, his offer to DMIC to purchase 3.3 million Class B Shares which DMIC has rejected, his discussions with investment bankers and banks concerning a sale of DGI referenced in the August 2, 2013 Letter, and other activities that Shepard may have engaged in during and after the Tender Offer that have not been disclosed, DGI questions whether Items 6, 10 and 11 require further information.

7. Item 12 has not been updated with interim financial statements. Given the fact that Shepard is proposing an entirely different transaction over an indeterminate period of time, and his representation that he will make all the acquisitions of Class B Shares covered by the Form A with his personal funds and no borrowings, DGI believes that the Department should

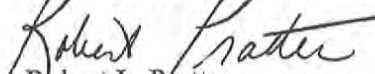
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Stephen J. Johnson, Deputy Insurance Commissioner
August 21, 2013
Page 4

require updated financial statements as of June 30, 2013 and on an ongoing quarterly basis during the pendency of this matter.¹

In addition to the foregoing, DGI continues to believe that Shepard has not satisfied his burden of proving that he has the competence, integrity and experience to acquire more Class B Shares as proposed. Please see our prior letters to you in support of DGI's position on this fundamental subject.

Respectfully submitted,


Robert L. Pfatter

RLP/lmb
Enclosures

cc: Robert E. Brackbill, Jr.
Jodi Frantz, Esquire
J. Victor Peterson, Esquire

DM312637558.1

¹ Shepard's letter to Tracy Shepard and his offer to Donegal Mutual Insurance Company, however, either sought or referred to outside financings to acquire Class B Shares.

EXHIBIT "A"

Gregory M. Shepard
7028 Portmarnock Place
Bradenton, FL 34202
Tel 941 306-5368 Cell 309 310-1331 email gshepard2000@aol.com

August 2, 2013

VIA EMAIL AND FEDERAL EXPRESS

Board of Directors
Donegal Group Inc.
1195 River Road
Marietta, PA 17547-0302

Board of Directors
Donegal Mutual Insurance Company
1195 River Road
Marietta, PA 17547-0302

Attention: Mr. Donald H. Nikolaus, Chairman, CEO and President

Ladies and Gentlemen:

As you know, my tender offer for 962,636 of the outstanding shares of Class B Common Stock ("Class B Shares") of Donegal Group Inc. ("DGI") expired on July 31, 2013.

I would like to propose the following amicable transaction: Subject to due diligence for a period of three weeks for me and my banking institutions and to my obtaining financing on commercially reasonable terms, I would be willing to pay \$22 per share for 3,300,000 Class B Shares from Donegal Mutual. I would reduce my price from \$30 to \$22 per Class B Share because Don Nikolaus apparently believes I am overpaying for the Class B Shares at \$30 per share. After the successful acquisition of these Class B Shares, I would own 53.5% of the total voting power of DGI's equity, and 28.5% of the total stock. I have been in preliminary contact with a large investment bank, and with lending institutions, and have been informed that on an "amicable" basis, there should be no problem in facilitating the acquisition of control of DGI, especially in light of the amount of capital I would contribute to the transaction. I would not require that you withdraw DGI from the marketplace during this due diligence period and would not require any break-up fee if my offer is topped, other than to reimburse me for any commitment fees which I would be required to pay to secure the availability of financing. This offer would be subject to all applicable regulatory approvals, which you would not oppose, as this offer would be consensual. Again, I ask the DGI and Donegal Mutual Boards of Directors (the "Boards") to do their fiduciary duty, and not let DGI and Donegal Mutual continue as a Nikolaus family fiefdom.

If the Boards accept this proposal, then I would suspend my plans to acquire up to 962,636 Class B Shares in the open market and privately negotiated transactions, subject to required prior regulatory approvals.

I am available to meet with the Boards to explain why I believe such an amicable transaction would be in the best interests of Donègal Mutual and DGI, its shareholders and employees. On behalf of all DGI shareholders, I sincerely hope that you accept my invitation.

Very truly yours,



Gregory M. Shepard

EXHIBIT “B”



1195 River Road, P.O. Box 302
Marietta, Pennsylvania 17547-0302
(717) 426-1931
www.donegalgroup.com

August 15, 2013

Sent By Federal Express

Gregory M. Shepard
7028 Portmarnock Place
Bradenton, FL 34202

Dear Mr. Shepard,

The Board of Directors of Donegal Mutual Insurance Company has reviewed the proposal outlined in your letter dated August 2, 2013.

The Board of Directors is unanimous in determining that it is not in the best interests of Donegal Mutual Insurance Company, its policyholders and other constituencies for Donegal Mutual to enter into the transaction described in your proposal.

Sincerely,

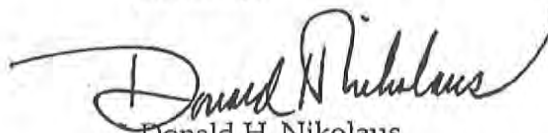

Donald H. Nikolaus
President

EXHIBIT "C"

Ballard Spahr LLP

1735 Market Street, 51st Floor
Philadelphia, PA 19103-7599
TEL 215.665.8500
FAX 215.864.8999
www.ballardspahr.com

David H. Pittinsky
Tel: 215.864.8117
Fax: 215.864.8999
pittinsky@ballardspahr.com

August 20, 2013

Via E-mail

Mr. H. Robert Tillman
Mr. Jim DePowell
Federal Reserve Bank of Philadelphia
Ten Independence Mall
Philadelphia, PA 19106

Re: Application of Gregory Mark Shepard for Permission to Acquire Shares of Donegal Group Inc. Class B Common Stock Resulting in an Increase in his Ownership of the Total Voting Power of Donegal Group Inc. Class A and Class B Common Stock From 9.9% to 22.7%

Dear Messrs. Tillman and DePowell:

By this letter, we confirm to you that Gregory Mark Shepard ("Shepard") has terminated his tender offer for 962,636 shares of Donegal Group Inc. ("DGI") Class B Common Stock by permitting his tender offer to expire in accordance with its terms on July 31, 2013. We attach as Exhibit Q Shepard Amendment No. 11 to Schedule TO that confirms this fact.

However, notwithstanding Shepard's termination of his tender offer, Shepard has stated that he "intend[s] to proceed with [his] applications with the Federal Reserve Bank of Philadelphia and the various state insurance departments, though not pursuant to the recently expired [Tender] Offer, to receive regulatory approvals to increase [his] ownership up to 22.7% of the outstanding combined Class A and Class B voting rights through open market purchases and privately negotiated transactions." See the letter dated August 1, 2013 from

Shepard to the DGI and Donegal Mutual Insurance Company ("DMIC") Boards of Directors at 3 attached as Exhibit R and Exhibit (a)(1)(P) to Shepard Amendment No. 11 to Schedule TO [Ex. Q].

Neither Shepard nor his counsel J. Victor Peterson ("Peterson") has provided us with a copy of any letter or document submitted to the Federal Reserve Bank of Philadelphia (the "FRB") amending or concerning Shepard's Interagency Notice of Change in Control (the "INCC") given the significantly changed circumstances regarding Shepard's efforts to acquire control of DGI. It is also my understanding that the Federal Reserve Bank Banking & Supervision Division (the "FRB B&S") has previously requested that Shepard provide further information on:

1. The substance of the dispute between Shepard and his former employee in the Marciniak litigation; and
2. The reasoning of the Securities and Exchange Commission in granting DGI's request to omit Shepard's shareholder proposals from its proxy statements.

If my understanding is correct and Shepard or his counsel Peterson has furnished a response, neither Shepard nor his counsel Peterson has furnished us with a copy of Shepard's response to the FRB B&S. Accordingly, we hereby request that the FRB furnish us with: (i) any letter or document submitted on behalf of Shepard on or after July 30, 2013 amending his INCC or otherwise relating to Shepard's efforts to acquire or possess control of DGI; and (ii) any response on behalf of Shepard to the FRB B&S.

Mr. H. Robert Tillman

August 20, 2013

Page 3

Moreover, in conjunction with Shepard's termination of his tender offer, Shepard submitted to the DGI and DMIC Boards of Directors an August 2, 2013 offer to purchase from DMIC 3,300,000 DGI Class B Shares for \$22 per share. If this offer were consummated, Shepard would own 53.5% of the combined voting rights of DGI's outstanding Class A and Class B common stock. See the letter dated August 2, 2013 from Shepard to the DGI and DMIC Boards of Directors which we attach as Exhibit S. Shepard's new offer is substantially similar to the June 24, 2013 Term Sheet proposal Shepard made to his brother Tracy (the purchase from DMIC of 3,400,000 DGI Class B Shares at a price between \$22 and \$28 per share), which was the subject of our July 8, 2013 letter to the FRB. When we disclosed the Term Sheet proposal to the FRB as hard evidence of Shepard's undisclosed plan and proposal to attempt to control DGI, Shepard's counsel Peterson, in his July 10, 2013 letter to the FRB, stated that we had made "much too much" over the Term Sheet, that Shepard was merely "exploring future options" and that Shepard had "no present plans or proposals . . . other than the present tender offer."

Now, less than one month after Peterson's July 10, 2013 letter to the FRB, Shepard has made another proposal to control DGI. Moreover, in his August 2, 2013 letter proposing to acquire 3,300,000 DGI Class B Shares from DMIC, Shepard stated that he had been in "preliminary contact with a large investment bank, and with lending institutions" to arrange for financing to "facilitat[e] the acquisition of control of DGI." Letter dated August 2, 2013 from Shepard to DGI and DMIC Boards of Directors [Ex. S]. The referenced preliminary discussions obviously had to take place prior to August 2, 2013. Simply stated, Shepard's

Mr. H. Robert Tillman

August 20, 2013

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August 2, 2013 proposal to acquire control of DGI belies Peterson's July 10, 2013 statement on Shepard's behalf that Shepard then had "no present plans or proposals . . . other than the present tender offer." Shepard's lack of candor with respect to his plans and proposals to attempt to acquire control of DGI is sufficient in our view, in and of itself, to justify the FRB in concluding that Shepard lacks the requisite competence, experience and integrity for FRB approval of his INCC.

For your information, on August 15, 2013, on behalf of the DMIC Board of Directors, Donald H. Nikolaus, President of DMIC, informed Shepard that "it [was] not in the best interests of [DMIC], its policyholders and other constituencies for Donegal Mutual to enter into the transaction described in your proposal." See the letter dated August 15, 2013 from Mr. Nikolaus to Shepard which we attach as Exhibit T.

Finally, we submit as Exhibit U to this letter a letter dated August 13, 2013 from Robert L. Pratter, a partner in the law firm of Duane Morris LLP (DGI's and DMIC's regular outside counsel), to Stephen J. Johnson, Deputy Insurance Commissioner of Pennsylvania, on behalf of DGI. As Mr. Pratter's letter points out, DGI believes that Shepard has "abandoned his original Form A." We believe the same holds true for Shepard's original INCC. Mr. Pratter's letter also provides further information concerning the insolvency and liquidation of Illinois Healthcare Insurance Company ("Illinois Healthcare"), a company wholly owned and controlled by Shepard. We believe this additional information concerning Illinois Healthcare would also justify in our view the FRB in concluding that

Mr. H. Robert Tillman

August 20, 2013

Page 5

Shepard lacks the requisite competence, experience and integrity for FRB approval of his INCC.

Respectfully submitted,

/s/ David H. Pittinsky

David H. Pittinsky

Ballard Spahr LLP

1735 Market Street, 51st Floor

Philadelphia, PA 19103-7599

Attorneys for Donegal Group Inc.

cc (via Email):

J. Victor Peterson, Esquire, Lathrop & Gage LLP

cc (via Federal Express):

Board of Governors of the Federal Reserve System, Division of Banking Supervision and Regulation, Banking Acquisitions and Activities

Mr. Steven Maggio, Director for District Licensing, Office of the Comptroller of the Currency

Mr. John Vogel, Regional Director, Federal Deposit Insurance Corporation

The Honorable Glenn E. Moyer, Secretary of Banking of the Commonwealth of Pennsylvania, Department of Banking and Securities

EXHIBIT Q

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

SCHEDULE TO

(Rule 14D-100)

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1) OF THE SECURITIES EXCHANGE
ACT OF 1934

(AMENDMENT NO. 11)

DONEGAL GROUP INC.

(Name of Subject Company (Issuer))

GREGORY MARK SHEPARD

(Name of Filing Persons (Offeror))

CLASS B COMMON STOCK, PAR VALUE \$0.01 PER SHARE

(Title of Class of Securities)

257701300

(CUSIP Number of Class of Securities)

J. Victor Peterson

Lathrop & Gage LLP

155 North Wacker Drive

Chicago, IL 60606-1787

(312) 920-3300

(Name, Address and Telephone Numbers of Person Authorized to Receive Notices and Communications
on Behalf of Filing Person)

CALCULATION OF FILING FEE

TRANSACTION VALUATION*	AMOUNT OF FILING FEE**
\$28,879,080	\$3,939.11

* For purposes of calculating the filing fee pursuant to Rule 0-11(d) only, the transaction valuation was calculated on the basis of the purchase of 962,636 shares of Donegal Group Inc. Class B common stock at the Tender Offer price of \$30.00 per share.

** The filing fee, calculated in accordance with Rule 0-11 of the Securities Exchange Act of 1934 and Fee Rate Advisory No. 1 for fiscal year 2013 issued by the Securities and Exchange Commission on August 31, 2012, by multiplying the transaction value by 0.0001364.

Check the box if any part of the fee is offset as provided by Rule 0-11 (a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \$3,939.11
Form or Registration No.: 005-39100

Filing Parties: Gregory Mark Shepard
Date Filed: March 20, 2013

Check the box if the filing relates solely to preliminary communications made before the commencement of a Tender Offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

third-party Tender Offer subject to Rule 14d-1.

issuer Tender Offer subject to Rule 13e-4.

going-private transaction subject to Rule 13e-3.

amendment to Schedule 13 D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the Tender Offer:

This Amendment No. 11 (this "Amendment") is filed by Gregory Mark Shepard, a Florida resident ("Offeror"). This Amendment further amends and supplements the Tender Offer Statement on Schedule TO and the exhibits thereto originally filed by Offeror with the Securities and Exchange Commission (the "SEC") on March 20, 2013, as previously amended and supplemented by Amendment No. 1 thereto filed by Offeror with the SEC on March 27, 2013, Amendment No. 2 thereto filed by Offeror with the SEC on April 9, 2013, Amendment No. 3 thereto filed by Offeror with the SEC on April 11, 2013, Amendment No. 4 thereto filed by Offeror with the SEC on April 22, 2013, Amendment No. 5 thereto filed by Offeror with the SEC on May 8, 2013, and Amendment No. 6 thereto filed by Offeror with the SEC on May 17, 2013, Amendment No. 7 thereto filed by Offeror with the SEC on May 21, 2013, Amendment No. 8 thereto filed by Offeror with the SEC on June 13, 2013, Amendment No. 9 thereto filed by Offeror with the SEC on July 19, 2013, and Amendment No. 10 thereto filed by Offeror with the SEC on July 24, 2013 (as previously amended and supplemented, the "Schedule TO").

The Schedule TO relates to the offer by Offeror to purchase, for cash, 962,636 shares of Class B common stock, par value \$0.01 per share ("Class B Shares"), or such lesser number of shares as are properly tendered and not properly withdrawn, of Donegal Group Inc., a Delaware corporation (the "Company"), at a price of \$30.00 per share, net to the seller in cash, without interest thereon and less any required withholding taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase dated March 20, 2013 attached as Exhibit (a)(1)(A) to the Schedule TO (the "Offer to Purchase"), and in the related Form of Letter of Transmittal attached as Exhibit (a)(1)(B) to the Schedule TO (the "Letter of Transmittal"). Capitalized terms used in this Amendment but not otherwise defined have the meanings ascribed to them in the Offer to Purchase.

As permitted by General Instruction G to Schedule TO, this Amendment is also an amendment to the statement on Schedule 13D originally filed on July 12, 2010, as subsequently amended, by Offeror.

All information set forth in the Offer to Purchase is incorporated by reference to Items 1 through 11 in the Schedule TO, except those items as to which information is specifically provided herein.

The purpose of this Amendment is to announce that the Offer expired at 11:59 p.m., New York City time, on Wednesday, July 31, 2013, without acceptance of the tendered shares, due to the Minimum Condition and the Insurance Regulatory Approval Condition not being satisfied.

Based on information received from the Depository for the Offer, as of 5:00 p.m., New York City time, on July 31, 2013, approximately 394,215 Class B Shares had been tendered and not withdrawn from the Offer, plus an additional 1,988 shares had been submitted by guaranteed delivery. All shares tendered and not withdrawn will be promptly returned.

The Offer to Purchase is hereby amended by:

Item 11. Additional Information.

Item 11 of the Schedule TO is hereby amended and supplemented to include the following: "On August 1, 2013, Purchaser issued the Press Release that is attached hereto as Exhibit (a)(1)(O)."

Item 11 of the Schedule TO is hereby amended and supplemented to include the following: "On August 1, 2013, Purchaser sent to the Boards of Directors of the Company and Donegal Mutual Insurance Company the letter that is attached hereto as Exhibit (a)(1)(P)."

Item 12. Exhibits.

Item 12 of the Schedule TO is hereby amended and supplemented to include the following: "(a)(1)(O) Text of Press Release Regarding Offer Issued by Offeror dated August 1, 2013."

Item 12 of the Schedule TO is hereby amended and supplemented to include the following: "(a)(1)(P) Text of Letter sent by Offeror to the Boards of Directors of the Company and Donegal Mutual Insurance Company dated August 1, 2013."

* * *

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

By: /S/ GREGORY MARK SHEPARD

EXHIBIT INDEX

EXHIBIT NO. DOCUMENT

(a)(1)(A)	Offer to Purchase dated March 20, 2013. *
(a)(1)(B)	Form of Letter of Transmittal. *
(a)(1)(C)	Form of Notice of Guaranteed Delivery. *
(a)(1)(D)	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees. *
(a)(1)(E)	Form of Letter to Clients for Use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees. *
(a)(1)(F)	Summary Advertisement as published in Investor's Business Daily on March 20, 2013. *
(a)(1)(G)	Text of Press Release Regarding Offer Issued by Offeror dated March 20, 2013. *
(a)(1)(H)	Text of Press Release Regarding Offer Issued by Offeror dated March 27, 2013. *
(a)(1)(I)	Text of Press Release Regarding Offer Issued by Offeror dated April 9, 2013. *
(a)(1)(J)	Text of Press Release Regarding Offer Issued by Offeror dated April 11, 2013. *
(a)(1)(K)	Letter from Offeror to Donald H. Nikolaus, President and CEO of the Company, dated April 10, 2013. *
(a)(1)(L)	Text of Press Release Regarding Offer Issued by Offeror dated April 22, 2013. *
(a)(1)(M)	Text of Press Release Regarding Offer Issued by Offeror dated May 8, 2013. *
(a)(1)(N)	Text of Press Release Regarding Offer Issued by Offeror dated May 21, 2013. *
(a)(1)(O)	Text of Press Release Regarding Offer Issued by Offeror dated August 1, 2013.
(a)(1)(P)	Text of Letter sent by Offeror to the Boards of Directors of the Company and Donegal Mutual Insurance Company dated August 1, 2013.
(b)	Not Applicable.
(d)(1)	Not Applicable.
(d)(2)	Not Applicable.
(d)(3)	Not Applicable.
(e)	Not Applicable.
(f)	Not Applicable.

* Previously filed.

EX-99.(A)(1)(O)2 k351531_exaio.htm EXHIBIT (A)(1)(O)

Exhibit (a)(1)(O)

FOR IMMEDIATE RELEASE

Tender Offer for Donegal Group Class B Shares by Gregory Shepard Expires

Bradenton, Florida, August 1, 2013 (NASDAQ: "DGICB") – Gregory Mark Shepard announced today that his tender offer for 962,636 shares of Class B Common Stock ("Class B Shares") of Donegal Group Inc. ("Donegal") at a price of \$30 per share (the "Offer") expired at 11:59 p.m., New York City time, on July 31, 2013.

Mr. Shepard stated, "The Offer expired on July 31, 2013, and was not further extended. Class B Shares that have been tendered and not withdrawn will be promptly returned and not accepted for payment, because the 'Minimum Condition' and the 'Insurance Regulatory Approval Condition' of the Offer have not been satisfied. The 'Minimum Condition' required at least 925,000 Class B Shares to have been tendered and not withdrawn. Even if the Minimum Condition were reduced by the 196,000 Class B Shares owned by Donegal insiders, it still would not have been satisfied."

Mr. Shepard added, "The 'Insurance Regulatory Approval Condition' required the approval of my purchase of additional Class B Shares pursuant to the Offer by the insurance departments of the six states where Donegal's insurance subsidiaries are located. Although the Offer was open for over four months, none of these approvals has been received."

Based on information received from the Depository for the Offer, as of 5:00 p.m., New York City time, on July 31, 2013, approximately 394,215 Class B Shares had been tendered and not withdrawn from the Offer, plus an additional 1,988 shares had been submitted by guaranteed delivery. All shares tendered and not withdrawn will be promptly returned.

EX-99(A)(1)(O)2.k351531_exaio.htm EXHIBIT (A)(1)(O)

Exhibit (a)(1)(O)

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Based on information received from the Depository for the Offer, as of 5:00 p.m., New York City time, on July 31, 2013, approximately 394,215 Class B Shares had been tendered and not withdrawn from the Offer, plus an additional 1,988 shares had been submitted by guaranteed delivery. All shares tendered and not withdrawn will be promptly returned.

EX-99(A)(1)(P) 3 k351531_exaip.htm EXHIBIT (A)(1)(P)

Exhibit (a)(1)(P)

August 1, 2013

VIA EMAIL AND FEDERAL EXPRESS

Board of Directors
Donegal Group Inc.
1195 River Road
Marietta, PA 17547-0302

Board of Directors
Donegal Mutual Insurance Company
1195 River Road
Marietta, PA 17547-0302

Attention: Mr. Donald H. Nikolaus, Chairman, CEO and President

Gentlemen:

On March 20, 2013, I announced a tender offer for 962,636 of the outstanding shares of Class B Common Stock ("Class B Shares") of Donegal Group Inc. ("DGI") at a price of \$30 per Class B Share (the "Offer"). The Offer represented approximately a 42% premium to the closing price of the Class B Shares on the NASDAQ on March 19, 2013 – the last full trading day prior to the commencement of the Offer.

On April 3, 2013, DGI filed a Solicitation/Recommendation Statement on Schedule 14D-9 recommending that the holders of Class B Shares reject the Offer and not tender their Class B Shares. The DGI Board of Directors and the Special Committee stated that they believed the Offer was illusory because the conditions could not be satisfied by the April 19, 2013 Expiration Date or within a reasonable period of time thereafter. DGI voiced no objection to the adequacy of my \$30 per Class B Share Offer price.

On April 17, 2013, during DGI's 1st quarter 2013 earnings conference call, DGI's CEO Don Nikolaus answered a stock analyst question regarding the adequacy of my \$30 per Class B Share Offer price by saying "first of all, as in our 14 D-9 we believe that the tender offer is illusory. There are many conditions over which Mr. Shepard has no control but he has set those as conditions that he would not pay such a price unless they are met. But the concept, set that aside, the concept that the shares of DGI have a value that is potentially twice the current book value, if you look at the historical views of Mr. Shepard are based upon the concept that the mutual company would be part of a transaction and it would give itself away and its 66% ownership without consideration or very little consideration so it is... so it is you know a difficult concept to rationalize." Mr. Nikolaus appears to be focused on Donegal Mutual's combined Class A and Class B voting percentage ownership. Donegal Mutual, however, only owns 46% of the combined Class A and Class B Shares.

On April 22, 2013, I filed an amendment to the Offer dropping the director representation and waiving the restriction on future grants of Class A Share options. I extended the Offer until May 20, 2013, to permit the regulatory agencies to process the required applications. I also announced that as of April 19, 2013, approximately 362,745 Class B Shares had been tendered and not withdrawn, plus an additional 8,872 Class B Shares submitted by guaranteed delivery. I noted that DGI had voiced no objection to the adequacy of my \$30 per Class B Share Offer price.

On May 2, 2013, DGI filed an amended Solicitation/Recommendation Statement on Schedule 14D-9 again recommending that the holders of Class B Shares reject the Offer and not tender their Class B Shares. The DGI Board of Directors and the Special Committee again stated that they believed the Offer was illusory because the conditions (mostly regulatory approvals) could not be satisfied by the May 20, 2013 Expiration Date, or within a reasonable period of time thereafter. DGI again voiced no objection to the adequacy of my \$30 per Class B Share Offer price.

On May 21, 2013, I filed another amendment to the Offer extending the Offer until July 31, 2013, to permit regulatory agencies additional time to process the required applications. I also announced that as of May 20, 2013, approximately 381,216 Class B Shares had been tendered and not withdrawn, plus an additional 2,324 Class B Shares submitted by guaranteed delivery.

On May 29, 2013, DGI filed an amended Solicitation/Recommendation Statement on Schedule 14D-9 again recommending that the holders of Class B Shares reject the Offer and not tender their Class B Shares. The DGI Board of Directors and the Special Committee again stated that they believed the Offer was illusory because the conditions (mostly regulatory approvals) could not be satisfied by the July 31, 2013 Expiration Date. DGI again voiced no objection to the adequacy of my \$30 per Class B Share Offer price.

As of July 31, 2013, approximately 394,215 Class B Shares had been tendered and not withdrawn, plus an additional 1,988 Class B Shares had been submitted by guaranteed delivery.

Today, I am NOT further extending the Offer for the following reasons: 1) The failure of a sufficient number of shares to be tendered into the Offer to satisfy the Offer's Minimum Condition of 925,000 Class B Shares (and even if the 196,122 Class B Shares owned by the DGI insiders, according to DGI's Proxy Statement filed on March 18, 2013, were subtracted from the Minimum Condition requirement, the number of Class B Shares tendered into the Offer would still be insufficient to meet the Minimum Condition, as so adjusted); and 2) The non-satisfaction of the Insurance Regulatory Approval Condition (i.e., the necessary approvals by the insurance departments of six states). I have kept the Offer open for nearly 4 ½ months and have not received regulatory approvals, in part because Don Nikolaus and his many law firms vigorously opposed and obstructed the Offer with the regulators at every opportunity.

Accordingly, I will not purchase any of the Class B Shares that have been tendered. All shares that have been tendered and not withdrawn will be returned promptly.

Instead, I intend to proceed with my applications with the Federal Reserve Bank of Philadelphia and the various state insurance departments, though not pursuant to the recently expired Offer, to receive regulatory approvals to increase my ownership up to 22.7% of the outstanding combined Class A and Class B voting rights.

Very truly yours,

/s/ Gregory M. Shepard
Gregory M. Shepard

EXHIBIT R

Gregory M. Shepard
7028 Portmarnock Place
Bradenton, FL 34202
Tel 941 306-5368 Cell 309 310-1331 email gshepard2000@aol.com

August 1, 2013

VIA EMAIL AND FEDERAL EXPRESS

Board of Directors
Donegal Group Inc.
1195 River Road
Marietta, PA 17547-0302

Board of Directors
Donegal Mutual Insurance Company
1195 River Road
Marietta, PA 17547-0302

Attention: Mr. Donald H. Nikolaus, Chairman, CEO and President

Gentlemen:

On March 20, 2013, I announced a tender offer for 962,636 of the outstanding shares of Class B Common Stock ("Class B Shares") of Donegal Group Inc. ("DGI") at a price of \$30 per Class B Share (the "Offer"). The Offer represented approximately a 42% premium to the closing price of the Class B Shares on the NASDAQ on March 19, 2013 – the last full trading day prior to the commencement of the Offer.

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On May 29, 2013, DGI filed an amended Solicitation/Recommendation Statement on Schedule 14D-9 again recommending that the holders of Class B Shares reject the Offer and not tender their Class B Shares. The DGI Board of Directors and the Special Committee again stated that they believed the Offer was illusory because the conditions (mostly regulatory approvals) could not be satisfied by the July 31, 2013 Expiration Date. DGI again voiced no objection to the adequacy of my \$30 per Class B Share Offer price.

As of July 31, 2013, approximately 394,215 Class B Shares had been tendered and not withdrawn, plus an additional 1,988 Class B Shares submitted by guaranteed delivery.

Today, I am NOT further extending the Offer for the following reasons: 1) The failure of a sufficient number of shares to be tendered into the Offer to satisfy the Offer's Minimum Condition of 925,000 Class B Shares (and even if the 196,122 Class B Shares owned by the DGI insiders, according to DGI's Proxy Statement filed on March 18, 2013, were subtracted from the Minimum Condition requirement, the number of Class B Shares tendered into the Offer would still be insufficient to meet the Minimum Condition, as so adjusted); and 2) The non-satisfaction of the Insurance Regulatory Approval Condition (i.e., the necessary approvals by the insurance departments of six states). I have kept the Offer open for nearly 4 ½ months and have not received regulatory approvals, in part because Don Nikolaus and his many law firms vigorously opposed and obstructed the Offer with the regulators at every opportunity.

Accordingly, I will not purchase any of the Class B Shares that have been tendered. All shares that have been tendered and not withdrawn will be returned promptly.

Instead, I intend to proceed with my applications with the Federal Reserve Bank of Philadelphia and the various state insurance departments, though not pursuant to the recently expired Offer, to receive regulatory approvals to increase my ownership up to 22.7% of the outstanding combined Class A and Class B voting rights through open market purchases and privately negotiated transactions.

Very truly yours,



Gregory M. Shepard

EXHIBIT S

Gregory M. Shepard
7028 Portmarnock Place
Bradenton, FL 34202
Tel 941 306-5368 Cell 309 310-1331 email gshepard2000@aol.com

August 2, 2013

VIA EMAIL AND FEDERAL EXPRESS

Board of Directors
Donegal Group Inc.
1195 River Road
Marietta, PA 17547-0302

Board of Directors
Donegal Mutual Insurance Company
1195 River Road
Marietta, PA 17547-0302

Attention: Mr. Donald H. Nikolaus, Chairman, CEO and President

Ladies and Gentlemen:

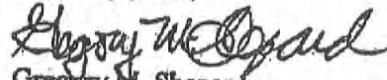
As you know, my tender offer for 962,636 of the outstanding shares of Class B Common Stock ("Class B Shares") of Donegal Group Inc. ("DGI") expired on July 31, 2013.

I would like to propose the following amicable transaction: Subject to due diligence for a period of three weeks for me and my banking institutions and to my obtaining financing on commercially reasonable terms, I would be willing to pay \$22 per share for 3,300,000 Class B Shares from Donegal Mutual. I would reduce my price from \$30 to \$22 per Class B Share because Don Nikolaus apparently believes I am overpaying for the Class B Shares at \$30 per share. After the successful acquisition of these Class B Shares, I would own 53.5% of the total voting power of DGI's equity, and 28.5% of the total stock. I have been in preliminary contact with a large investment bank, and with lending institutions, and have been informed that on an "amicable" basis, there should be no problem in facilitating the acquisition of control of DGI, especially in light of the amount of capital I would contribute to the transaction. I would not require that you withdraw DGI from the marketplace during this due diligence period and would not require any break-up fee if my offer is topped, other than to reimburse me for any commitment fees which I would be required to pay to secure the availability of financing. This offer would be subject to all applicable regulatory approvals, which you would not oppose, as this offer would be consensual. Again, I ask the DGI and Donegal Mutual Boards of Directors (the "Boards") to do their fiduciary duty, and not let DGI and Donegal Mutual continue as a Nikolaus family fiefdom.

If the Boards accept this proposal, then I would suspend my plans to acquire up to 962,636 Class B Shares in the open market and privately negotiated transactions, subject to required prior regulatory approvals.

I am available to meet with the Boards to explain why I believe such an amicable transaction would be in the best interests of Donegal Mutual and DGI, its shareholders and employees. On behalf of all DGI shareholders, I sincerely hope that you accept my invitation.

Very truly yours,



Gregory M. Shepard

EXHIBIT T



1195 River Road, P.O. Box 302
Marietta, Pennsylvania 17547-0302
(717) 426-1931
www.donegalgroup.com

August 15, 2013

Sent By Federal Express

Gregory M. Shepard
7028 Portmarnock Place
Bradenton, FL 34202

Dear Mr. Shepard,

The Board of Directors of Donegal Mutual Insurance Company has reviewed the proposal outlined in your letter dated August 2, 2013.

The Board of Directors is unanimous in determining that it is not in the best interests of Donegal Mutual Insurance Company, its policyholders and other constituencies for Donegal Mutual to enter into the transaction described in your proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald H. Nikolaus". The signature is written in a cursive style with a large, sweeping initial "D".

Donald H. Nikolaus
President

EXHIBIT U

ROBERT L. PRATTER
DIRECT DIAL: 215 979 1173
PERSONAL FAX: 215 754 4845
E-MAIL: rlpratter@duanemorris.com

www.duanemorris.com

August 13, 2013

VIA E-MAIL AND FIRST CLASS MAIL

Stephen J. Johnson, Deputy Insurance Commissioner
Commonwealth of Pennsylvania
1345 Strawberry Square
13th Floor
Harrisburg, PA 17120

**Re: Form A Statement Dated March 20, 2013 (the "Form A")
Regarding the Acquisition of Control of Atlantic States Insurance
Company, a Pennsylvania insurance company and wholly owned subsidiary of
Donegal Group Inc. ("DGI") Gregory Mark Shepard ("Shepard")**

NEW YORK
LONDON
SINGAPORE
PHILADELPHIA
CHICAGO
WASHINGTON, DC
SAN FRANCISCO
SILICON VALLEY
SAN DIEGO
BOSTON
HOUSTON
LOS ANGELES
HANOI
HO CHI MINH CITY
ATLANTA
BALTIMORE
WILMINGTON
MIAMI
PITTSBURGH
NEWARK
LAS VEGAS
CHERRY HILL
BOCA RATON
LAKE TAHOE
MUSCAT, OMAN
*A GCC REPRESENTATIVE
OFFICE OF DUANE MORRIS*

MEXICO CITY
ALLIANCE WITH
MIRANDA & ESTAVILLO

Dear Mr. Johnson:

On August 1, 2013, Gregory Mark Shepard filed Amendment No. 11 to his Schedule TO with the Securities and Exchange Commission, and an accompanying press release. Both documents reported that Shepard had allowed the hostile tender offer (the "Tender Offer") by which Shepard had sought to purchase 962,636 shares of DGI Class B shares for \$30.00 per share to expire. Shepard's abandonment of his Tender Offer confirms the April 2013 recommendation of DGI's Board of Directors made to the holders of DGI Class B common stock that Shepard's Tender Offer was illusory. DGI communicated that same position to the Pennsylvania Insurance Department (the "Department"), the insurance regulators in the five other states in which DGI has subsidiaries domiciled and the Federal Reserve Bank of Philadelphia (the "FRBP").

With the termination of the Tender Offer, DGI believes that Shepard has also abandoned his original Form A. We note for the record that Shepard did not file his original Form A with the Department on a timely basis in violation of Section 1402 of the Pennsylvania Insurance Holding Companies Act, as amended (the "Act"). Shepard's recently filed purported "amendment" to his Form A that appears on the Department's public website also was not filed within the time Section 1402 requires. We reserve the right on behalf of DGI to comment upon the purported amendment after DGI has had an opportunity to review it.

Stephen J. Johnson, Deputy Insurance Commissioner

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August 13, 2013

Turning to another matter, the July 19, 2013 letter from J. Victor Peterson to Robert E. Brackbill, Jr. (the "July 19 letter") purported to respond to the Department's letter dated June 19, 2013. The Department's June 19th letter was the Department's second round of questions and comments addressed to Shepard because Mr. Peterson's prior letter response to the Department dated April 25, 2013 was incomplete and misleading in several major respects.¹

For the Department's convenience, we have numbered our comments as to the July 19 letter so that our paragraph numbers correspond to the paragraph numbers Mr. Peterson used in the July 19 letter.

3. The Department asked Shepard to discuss the conflict between his statements in the Form A, the Tender Offer and his press releases regarding his plans to merge DGI's insurance subsidiaries into another larger insurance company. Rather than addressing the Department's question, the July 19 letter response merely repeats Shepard's prior contradictory explanations and consistently refused to explain the conflict the Department noted.

11. DGI has been seeking public disclosure of Shepard's financial and biographical information on its own behalf as the target of Shepard's Form A and on behalf of its policyholders and the public. These DGI constituencies have a legal right to public access to such information. DGI specifically denies Shepard's baseless charge that it has been seeking public disclosure of this relevant information to impede the Tender Offer "... on all fronts by attempting to embarrass him and make him vulnerable to identity theft and fraud ...". DGI believes strongly that the public is entitled to all of the information Shepard filed with the Department. Shepard has never satisfied the heavy burden to justify redaction of the value of certain material assets listed on Shepard's financial statements that he filed with the Department.

Additional Item 2

The Department requested additional information regarding Shepard's involvement with Illinois Healthcare Insurance Company ("Illinois Healthcare") and an explanation of Shepard's involvement with an insurance company that the Illinois Insurance Department (the "Illinois Department") declared insolvent. Shepard's history with Illinois Healthcare and other companies discussed below provide ample evidence of Shepard's failure to meet the competence, experience and integrity standard set forth in Section 1402 (f)(v) of the Act.

The July 19 letter response includes an abbreviated, sanitized history of Shepard's involvement with Illinois Healthcare and a number of other affiliated insurance and other companies that Shepard controlled, including American Union Life Insurance Company ("AULIC"), American Union Insurance Company ("AUIC") and Illinois HealthCare. The July 19

¹ Although Shepard has abandoned his tender offer, he continues to circulate plans to gain control of DGI. Therefore, these comments remain relevant.

Stephen J. Johnson, Deputy Insurance Commissioner

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August 13, 2013

letter attributes the insolvency of Illinois Healthcare to the decision by the State of Illinois not to enroll its Medicaid members in managed care, losses and expenses AULIC and Illinois Healthcare incurred after AUIC sold Union Auto Indemnity Company and its property and casualty operations on January 1, 1997, and cost shifting/adverse selection in the 1990's from public plans to the indemnity plans AULIC and Illinois Healthcare sold. DGI believes that the Department should carefully scrutinize the accuracy and completeness of those reasons that Shepard has asserted. Moreover, as the driving force behind Illinois Healthcare and its business plans, Shepard cannot disclaim responsibility for the failure of Illinois Healthcare, particularly to the extent that it involved transactions with other companies under Shepard's control.

The July 19 letter caps off Shepard's attempted explanation of Illinois Healthcare's insolvency and liquidation with nonchalant statements that "insurance insolvencies happen" and that "policyholders are not hurt." These views alone warrant disapproval of Shepard's Form A and other requests by Shepard of the Department. In the case of Illinois Healthcare's insolvency and the Illinois Life and Health Insurance Guaranty Association's assumption of its policyholder obligations, Shepard's conclusory assertions that no policyholders were hurt is not a truthful statement. In 2000, when the Circuit Court of Cook County declared Illinois Healthcare insolvent, the Illinois Life and Health Insurance Guaranty Association Law ("GA Law") provided a \$300,000 coverage limit with respect to health insurance benefits assumed for any one life. A policyholder above the \$300,000 limit had no coverage or protection. Moreover, under Section 531.09(8) of the GA Law in effect in 2000, other member insurers were permitted to factor into their rates and policyholder dividends the amounts reasonably necessary to meet their GA Law assessment obligations. Therefore, Illinois Healthcare's insolvency adversely affected its policyholders as well as other insurance companies domiciled in Illinois and their policyholders.

The July 19 letter closes with two pages of accolades about Shepard's various real estate activities, attendance at charitable fundraisers, gifts and hospitality for his 40th high school reunion. None of this information is relevant to the Department's consideration or its review of Shepard's Form A as purportedly amended and Shepard's other requests of the Department.

Shepard's business history, including, but not limited to, his regulatory record with respect to Illinois Healthcare, AULIC, AUIC, and his other insurance company affiliates, demonstrate Shepard's cavalier approach to the reasonable requirements of the Illinois Insurance Department. His direct responsibility for Illinois Healthcare's insolvency and liquidation also stand in sharp contrast to DGI's excellent business and regulatory record.

Donegal Mutual Insurance Company ("DMIC") commenced operations in Pennsylvania in 1889 and is the parent of DGI. DMIC and DGI's insurance subsidiaries conduct business together as the "Donegal Insurance Group". The Donegal Insurance Group has a well-deserved record of excellent service to its policyholders and has built a solid history of proactive compliance with the Department and the insurance regulators in Iowa, Maryland, Michigan, Wisconsin and Virginia which are the states of domicile of other Donegal Insurance Group members. In addition, the

Stephen J. Johnson, Deputy Insurance Commissioner

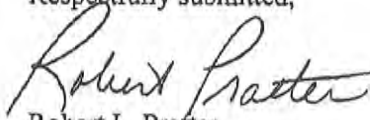
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August 13, 2013

Donegal Insurance Group enjoys a prominent, favorable reputation in the property and casualty insurance industry and has had an A.M. Best rating of A (Excellent) for many years.

DGI respectfully submits based upon Shepard's historical insurance background and other factors we have described on behalf of DGI in our prior correspondence with the Department, that Shepard does not have the requisite competence, experience and integrity to warrant the Department's approval of Shepard's currently pending Form A.

Respectfully submitted,



Robert L. Pratter

RLP/lmb

cc: Robert E. Brackbill, Jr.
Jodi Frantz, Esquire
J. Victor Peterson, Esquire
Donald H. Nikolaus
Frederick W. Dreher, Esquire