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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**SCHEDULE 14D-9  
(Amendment No. 3)**

**SOLICITATION/RECOMMENDATION STATEMENT  
UNDER SECTION 14(d)(4) OF THE SECURITIES EXCHANGE ACT OF 1934**

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**DONEGAL GROUP INC.**  
(Name of Subject Company)

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**DONEGAL GROUP INC.**  
(Name of Person Filing Schedule 14D-9)

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**Class B Common Stock, par value \$0.01 per share**  
(Title of Class of Securities)

**257701-30-0**  
(CUSIP Number of Class of Securities)

**Jeffrey D. Miller**  
**Senior Vice President and Chief Financial Officer**  
**Donegal Group Inc.**  
**1195 River Road, P.O. Box 302**  
**Marietta, PA 17547-0302**  
**(717) 426-1931**

(Name, address and telephone number of person authorized to receive notices and communications on behalf of the persons filing statement)

*With copies to:*

**Frederick W. Dreher, Esq.**  
**John W. Kauffman, Esq.**  
**Duane Morris LLP**  
**30 South 17th Street**  
**Philadelphia, PA 19103-4196**  
**(215) 979-1234**  
**Counsel to Donegal Group Inc.**

**David H. Pittinsky, Esq.**  
**Justin P. Klein, Esq.**  
**Ballard Spahr LLP**  
**1735 Market Street**  
**Philadelphia, PA 19103-7559**  
**(215) 864-8117**  
**Counsel to the**  
**Donegal Group Inc.**  
**Special Committee**

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

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## PREFACE

This Amendment No. 3 to Solicitation/Recommendation Statement on Schedule 14D-9 (this "Amendment No. 3") relates to the tender offer (the "Original Offer") of Gregory Mark Shepard ("Shepard") to purchase for cash 962,636 shares of Donegal Group Inc. ("DGI") Class B common stock (the "Class B Shares") at a purchase price of \$30.00 per share upon the terms and subject to the conditions set forth in Shepard's Schedule TO (the "TO"). Shepard filed the TO with the Securities and Exchange Commission (the "SEC") on March 20, 2013. Shepard filed an amended Schedule TO (the "First Amended TO") with the SEC on April 22, 2013 and extended the expiration date of the Original Offer to May 20, 2013 (the "First Amended Offer"). Shepard filed an amended Schedule TO (the "Second Amended TO") with the SEC on May 21, 2013 and further extended the expiration date of the Original Offer to July 31, 2013 (the "Second Amended Offer").

The DGI Board of Directors (the "DGI Board") met on May 23, 2013, following a meeting of the Special Committee of the DGI Board held on May 22, 2013. The Special Committee concluded that the Second Amended Offer was illusory and recommended that the DGI Board recommend to the holders of the Class B Shares that they reject Shepard's Second Amended Offer and not tender their Class B Shares for purchase because the Second Amended Offer is illusory. In accordance with the report and recommendation of the Special Committee, the DGI Board unanimously recommends that the holders of the Class B Shares **REJECT** the Second Amended Offer and **NOT TENDER** their Class B Shares for purchase pursuant to the Second Amended Offer. DGI sets forth the reasons for the recommendation of the DGI Board in this Amendment No. 3.

(ii)

Item 4. The Solicitation or Recommendation.

*(a) Solicitation/Recommendation*

The DGI Board thoroughly evaluated and assessed the conditions as modified in the Second Amended Offer. The DGI Board acted following its receipt and review of a report and recommendation submitted to the DGI Board by the Special Committee and advice from independent legal counsel. The Special Committee met on May 22, 2013 to consider the Second Amended Offer. At its May 23, 2013 meeting, the DGI Board determined that Shepard could not satisfy certain conditions Shepard stated in his Second Amended Offer before the July 31, 2013 Expiration Date.

**The DGI Board, therefore, unanimously recommends that the holders of DGI's Class B Shares REJECT the Second Amended Offer and NOT TENDER their Class B Shares for purchase pursuant to the Second Amended Offer.**

*(b) Background*

Shepard commenced the Second Amended Offer on May 21, 2013. Shepard's conditions precedent to the Second Amended Offer provide that Shepard has no obligation to purchase the Class B Shares if any of his conditions to the Second Amended Offer have not been met. Because of the Second Amended Offer's Expiration Date of July 31, 2013, the DGI Board and the Special Committee believe that the Second Amended Offer is illusory for the reasons DGI sets forth in Item 4(c) of this Amendment No. 3.

*(c) Reasons for the DGI Board Recommendation*

In reaching the conclusions and making the recommendation DGI describes above, the DGI Board and the Special Committee, comprised of the five independent members of DGI's Board, reviewed Shepard's conditions to the Second Amended Offer. As set forth in this Amendment No. 3, the DGI Board and the Special Committee believe that Shepard cannot satisfy a number of conditions to the Second Amended Offer before the July 31, 2013 Expiration Date of the Second Amended Offer. These conditions include the FRB Condition, the Insurance Regulatory Approval Condition and the Minimum Tender Condition.

*The FRB Condition*

Shepard has conditioned the Second Amended Offer, among other things, upon the approval of the Federal Reserve Bank of Philadelphia (the "FRB") following the expiration of a 60-day review period after Shepard's filing of an application with the FRB for his proposed acquisition of the Class B Shares. Even though Shepard made his Original Offer for the Class B Shares on March 20, 2013 and even though his Original Offer, like the First Amended Offer and the Second Amended Offer, is conditioned on FRB approval, Shepard did not file the requisite application for FRB approval until April 29, 2013. By letter dated May 28, 2013, the FRB forwarded a number of questions to Shepard for response by June 10, 2013. The DGI Board and the Special Committee do not believe that Shepard can satisfy the FRB Condition by the July 31, 2013 Expiration Date of the Second Amended Offer. Shepard cannot waive this condition, which is by law an indispensable legal condition precedent to the consummation of the Second Amended Offer.

*The HSR Condition*

Shepard may not consummate the Second Amended Offer prior to the expiration or termination of all applicable waiting periods and any extension of the waiting periods applicable to the notification Shepard must file with respect to the Second Amended Offer pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR"). To the knowledge of the DGI Board, as of May 28, 2013, Shepard had not made that filing or paid the HSR filing fee. Shepard cannot waive this condition, which is by law an indispensable legal condition precedent to the consummation of the Second Amended Offer.

*The Insurance Regulatory Approval Condition*

The Insurance Regulatory Approval Condition requires that the insurance regulators in six states – Iowa, Maryland, Michigan, Pennsylvania, Virginia and Wisconsin – approve the Second Amended Offer. Two of these states have raised legal issues as to whether Shepard may initiate the Second Amended Offer at all prior to obtaining insurance regulatory approval in those states. All the regulatory states also have review and/or public hearing procedures, and other conditions that Shepard must satisfy before Shepard can meet the Insurance Regulatory Approval Condition. In addition, several of the states have asked Shepard to provide additional information before they will commence their consideration of his application for insurance regulatory approval of the Second Amended Offer. Shepard also has not provided to DGI a complete copy of Shepard's Form A Application, which DGI believes is required by law. The DGI Board believes that unless and until Shepard provides all of the information required by, and meets all of the legal and procedural requirements applicable to the insurance regulatory approval process in, Iowa, Maryland, Michigan, Pennsylvania, Virginia and Wisconsin, the insurance regulatory process in all six states will not proceed in a manner that will satisfy the Insurance Regulatory Approval Condition by the July 31, 2013 Expiration Date of the Second Amended Offer. Moreover, Shepard cannot waive the requirement of insurance regulatory approval in Iowa, Maryland, Michigan, Pennsylvania, Virginia and Wisconsin, which by law are indispensable legal conditions precedent to the consummation of the Second Amended Offer.

*Minimum Tender Condition*

In addition, although Shepard may ultimately decide to waive the Minimum Tender Condition – unlike the HSR Condition, the FRB Condition and the Insurance Regulatory Approval Condition, which Shepard cannot waive because they are indispensable legal conditions that Shepard must satisfy before Shepard can consummate the Second Amended Offer – it too cannot be satisfied. Shepard's Minimum Tender Condition cannot be satisfied because, as set forth in Item 4(d), none of the directors, executive officers or affiliates of DGI or Donegal Mutual intends to tender their respective Class B Shares to Shepard pursuant to his Second Amended Offer. As a result, sufficient Class B Shares are not available for purchase by Shepard that would permit him to satisfy the Minimum Tender Condition.

For the foregoing reasons, the DGI Board and the Special Committee determined that the FRB Condition, the Insurance Regulatory Approval Condition and the Minimum Tender Condition cannot be satisfied by the July 31, 2013 Expiration Date of Shepard's Second Amended Offer. **Accordingly, the DGI Board continues to believe that Shepard's Second Amended Offer is illusory and recommends that the holders of DGI Class B Shares REJECT the Second Amended Offer and NOT TENDER their Class B Shares to Shepard for purchase pursuant to the Second Amended Offer.**

*(d) Intent to Tender*

If the directors and executive officers of DGI were to tender pursuant to the Second Amended Offer all Class B Shares they own, they would receive the same cash consideration and on the same terms and conditions as all other holders of Class B Shares. As of May 1, 2013, the directors and executive officers of DGI owned an aggregate of 196,122 Class B Shares, or 3.5% of the outstanding Class B Shares. If the directors and executive officers of DGI were to tender all of such Class B Shares for purchase pursuant to the Second Amended Offer and Shepard accepted those Class B Shares for purchase, the directors and executive officers of DGI would receive an aggregate consideration of approximately \$5.9 million in cash.

To the knowledge of DGI, none of the directors, executive officers or affiliates of DGI or Donegal Mutual intends to tender the Class B Shares they hold of record or own beneficially for purchase pursuant to the Second Amended Offer. Donald H. Nikolaus, the President and Chief Executive Officer of DGI, advised the Special Committee that he has considered the Second Amended Offer and has not changed his determination that he will not tender any of the 186,375 Class B Shares he beneficially owns for purchase by Shepard.

If you have tendered your DGI Class B Shares, you can withdraw them. Please contact our information agent, MacKenzie Partners, Inc., toll-free at (800) 322-2885 for assistance in withdrawing your tender. You can also contact your broker or DGI. The information to contact DGI is set forth below:

Jeffrey D. Miller  
Senior Vice President and Chief Financial Officer  
Donegal Group Inc.  
1195 River Road, P.O. Box 302  
Marietta, PA 17547  
(717) 426-1931

DGI includes copies of its press release and a letter to its stockholders relating to the recommendation of the DGI Board to reject the Second Amended Offer as Exhibit (a)(1) and Exhibit (a)(2) to this Amendment No. 3 and incorporates such press release and letter by reference in this Amendment No. 3.

Item 9. Exhibits.

DGI herewith files the following exhibits or incorporates such exhibits in this Amendment No. 3:

<u>Exhibit Number</u>	<u>Description</u>
(a)(1)	Press Release of DGI dated May 29, 2013
(a)(2)	Letter from DGI to the Holders of Class B Common Stock dated May 29, 2013

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Amendment No. 3 to Schedule 14D-9 is true, complete and correct.

DONEGAL GROUP INC.

By: /s/ Donald H. Nikolaus

Donald H. Nikolaus,  
President

Dated: May 29, 2013

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
(a)(1)	Press Release of DGI dated May 29, 2013
(a)(2)	Letter from DGI to the Holders of Class B Common Stock dated May 29, 2013

FOR IMMEDIATE RELEASE  
May 29, 2013

THE BOARD OF DIRECTORS OF DONEGAL GROUP INC.  
RECOMMENDS THAT ITS CLASS B STOCKHOLDERS REJECT  
THE SECOND AMENDED TENDER OFFER OF GREGORY MARK SHEPARD

MARIETTA, PA — May 29, 2013 — Donegal Group Inc. (“DGI”) (NASDAQ: DGICA and DGICB) reported that it had filed an Amendment No. 3 to Schedule 14D-9 solicitation/recommendation statement with the SEC today. Amendment No. 3 reports the unanimous recommendation of DGI’s Board that the holders of DGI’s Class B Common Stock reject the unsolicited second amended tender offer for 962,636 shares of DGI’s Class B Shares at a price of \$30.00 per share in cash by Gregory Mark Shepard. Shepard first commenced his tender offer to expire on April 19, 2013; he has now amended his offer a second time. The expiration date of Shepard’s Second Amended Offer is July 31, 2013.

DGI’s Board has thoroughly evaluated and assessed the conditions to the Second Amended Offer that Shepard established, together with the assistance of a report and recommendation submitted to DGI’s Board by its special committee of five independent directors and advice from by independent legal counsel. Based upon its evaluation and assessment of Shepard’s conditions to the Second Amended Offer, including the federal and state regulatory approvals Shepard must obtain before he can legally consummate the Second Amended Offer, DGI’s Board unanimously determined that Shepard’s Second Amended Offer is illusory because Shepard will not be able to satisfy certain legal conditions precedent to the Second Amended Offer before the expiration date of the Second Amended Offer. **Accordingly, the DGI Board recommends that the holders of DGI Class B Shares REJECT the Second Amended Offer and NOT TENDER their Class B Shares to Shepard for purchase pursuant to the Second Amended Offer.**

DGI has posted in the Investors area of its website at [www.donegalgroup.com](http://www.donegalgroup.com) a letter to its stockholders that provides more information regarding the DGI Board recommendation.

**Important Information and Where to Find It**

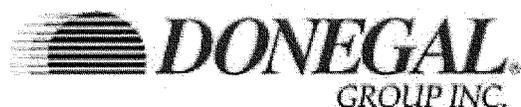
This communication does not constitute an offer to buy or the solicitation of an offer to sell any securities. **DGI urges the holders of its Class B common stock to read the solicitation/recommendation statement, as well as any other documents DGI subsequently files with the SEC when such documents become available because they will contain important information.** Holders of Class B Shares may obtain, without charge, a copy of the solicitation/recommendation statement and other documents (when available) that DGI files with the SEC at the SEC’s website at [www.sec.gov](http://www.sec.gov) and DGI’s website at [www.donegalgroup.com](http://www.donegalgroup.com). In addition, DGI’s solicitation/recommendation statement and other documents (when available) that DGI files with the SEC may be obtained, without charge, from DGI by writing to DGI’s corporate secretary, Sheri O. Smith, at its principal executive offices at 1195 River Road, P.O. Box 302, Marietta, Pennsylvania 17547 or by e-mail to [sherismith@donegalgroup.com](mailto:sherismith@donegalgroup.com).

**About Donegal Group Inc.**

Donegal Group Inc. is an insurance holding company with insurance subsidiaries offering personal and commercial property and casualty lines of insurance in 22 Mid-Atlantic, Midwestern, New England and Southern states. The insurance subsidiaries of DGI and Donegal Mutual Insurance Company conduct business together as the Donegal Insurance Group. The Donegal Insurance Group has an A.M. Best rating of A (Excellent). Donegal Mutual Insurance Company and DGI together own Donegal Financial Services Corporation, a grandfathered unitary savings and loan holding company that owns Union Community Bank FSB, a federal savings bank.

DGI’s Class A common stock and Class B common stock trade on NASDAQ under the symbols DGICA and DGICB, respectively.

CONTACT: Jeffrey D. Miller  
Senior Vice President and Chief Financial Officer  
Phone: (717) 426-1931  
Fax: (717) 426-7031  
E-mail: [investors@donegalgroup.com](mailto:investors@donegalgroup.com)



May 29, 2013

Dear Stockholder:

On May 21, 2013, Gregory Mark Shepard, or Shepard, extended until July 31, 2013 his unsolicited tender offer, or the Second Amended Offer, to acquire up to 962,636 shares of Class B common stock, or the Class B Shares, of Donegal Group Inc., or DGI, for \$30.00 per share in cash. The 962,636 Class B Shares represent approximately 17.3% of the outstanding Class B Shares of DGI. The Second Amended Offer lists the amended conditions that Shepard established with respect to his obligation to consummate the Second Amended Offer.

Donegal Mutual Insurance Company, or Donegal Mutual, and our insurance subsidiaries have conducted business together as the Donegal Insurance Group since 1986, while retaining their separate legal and corporate existences. As such, Donegal Mutual and our insurance subsidiaries share the same business philosophies, the same management, the same employees and the same facilities and offer the same types of insurance products.

Shepard's Second Amended Offer represents a continuation of his efforts to influence the boards of directors of DGI and Donegal Mutual to pursue their acquisition by another insurance company. We believe that Shepard's desires are contrary to DGI's long-term business plan that we have shared with you in many of our communications and public filings. In short, we do not share Shepard's desires because:

- We believe we have a solid long-term business strategy to grow profitably and compete effectively with other regional and national property and casualty insurance companies.
- Our current business structure has proven its effectiveness and success over the past 27 years of our existence. Over that time period, the Donegal Insurance Group has grown significantly in terms of premium revenue, profitability and financial strength, and the Donegal Insurance Group has developed an excellent reputation with its policyholders and the insurance-buying public as a group of regional property and casualty insurers.

We believe the long-term continuation of our business structure enhances our ability to implement our business philosophies, provide superior service to our policyholders, maintain excellent employee relations and provide a stable environment within which we can grow our businesses and earnings for the benefit of DGI and its stockholders.

The DGI Board has thoroughly evaluated and assessed the amended conditions that Shepard established for his Second Amended Offer, together with the assistance of a report and recommendation submitted to the DGI Board by a special committee of the five independent DGI directors. Based upon its evaluation and assessment of the conditions to the Second Amended Offer, including the federal and state regulatory approvals Shepard must obtain before he can legally consummate the Second Amended Offer, the DGI Board unanimously determined that Shepard's Second Amended Offer remains illusory. The Second Amended Offer remains illusory because Shepard cannot satisfy at least two of the conditions precedent to the Second Amended Offer prior to the July 31, 2013 expiration date of the Second Amended Offer and Shepard cannot waive these conditions precedent.

- The Second Amended Offer is subject to Shepard's receipt of regulatory approvals from insurance regulators in Iowa, Maryland, Michigan, Pennsylvania, Virginia and Wisconsin. Two of these states have raised legal issues as to whether Shepard may initiate the Tender Offer at all prior to obtaining insurance regulatory approval in those states. All the regulatory states also have review and/or public hearing procedures, and other conditions that Shepard must satisfy before Shepard can meet his Insurance Regulatory Approval Condition. In addition, several of the states have asked Shepard to provide additional information before they will commence their consideration of his application for Insurance Regulatory Authority approval of the Second Amended Offer. Shepard also has not provided to DGI a complete copy of the Form A Application, which DGI believes applicable state law requires. The DGI Board believes that unless and until Shepard provides all of the information required by, and meets all of the legal and procedural requirements applicable to the insurance regulatory approval process in, Iowa, Maryland, Michigan, Pennsylvania, Virginia and Wisconsin, the insurance regulatory process in all six states will not proceed in a manner that will satisfy the Insurance Regulatory Approval Condition by the July 31, 2013 Expiration Date of the Second Amended Offer.
- The Second Amended Offer is subject to the approval of the Federal Reserve Bank of Philadelphia (the "FRB") following the expiration of a 60-day review period after Shepard's filing of an application with the FRB for his proposed acquisition of the Class B Shares. Even though Shepard made his Original Offer for the Class B Shares on March 20, 2013 (the "Original Offer") and even though his Original Offer, like the First Amended Offer and the Second Amended Offer, is conditioned on FRB approval, Shepard did not file the requisite application for FRB approval until April 29, 2013. The DGI Board and the Special

Committee do not believe that Shepard can satisfy the FRB Condition by the July 31, 2013 Expiration Date of the Second Amended Offer. Shepard cannot waive this condition, which is by law an indispensable legal condition precedent to the consummation of the Second Amended Offer.

In addition, Shepard's Second Amended Offer continues the Minimum Tender Condition requiring the tender of 925,000 Class B Shares. Shepard will be unable to satisfy the Minimum Tender Condition because Donegal Mutual and officers and directors of DGI have stated their intentions not to tender their Class B Shares to Shepard, and therefore there are substantially fewer than 925,000 Class B Shares available for tender to Shepard and for purchase by Shepard.

**The DGI Board, therefore, urges you to REJECT the Second Amended Offer and NOT TENDER your shares for purchase pursuant to the Second Amended Offer.**

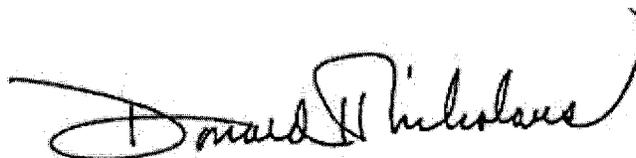
We filed Amendment No. 3 with the Securities and Exchange Commission today. Amendment No. 3 contains a more complete discussion of the significant factors that resulted in the recommendation of the DGI Board that you should not tender your Class B Shares.

For the reasons described in this letter and in Amendment No. 3, the DGI Board unanimously recommends that you REJECT Shepard's Second Amended Offer and NOT TENDER your Class B Shares pursuant to the Second Amended Offer. If you have already tendered your Class B Shares, you have the right to withdraw your tender and have your Class B Shares returned to you. Please contact our information agent, MacKenzie Partners, Inc., toll-free at (800) 322-2885 for assistance in withdrawing your tender.

We urge you to read Amendment No. 3 in its entirety so that you can review in detail the reasons for the recommendation of the DGI Board. If you have any questions concerning Amendment No. 3 or need copies of DGI's publicly-filed materials, please contact Jeffrey D. Miller, our Senior Vice President and Chief Financial Officer, at our principal executive offices at 1195 River Road, P.O. Box 302, Marietta, PA 17547, or by e-mail addressed to [investors@donegalgroup.com](mailto:investors@donegalgroup.com).

We have the utmost regard for you, our stockholders, and we respect your valuable time. In the opinion of the DGI Board and its Special Committee, Shepard's offer is illusory because Shepard will not be able to satisfy certain conditions to the Second Amended Offer on or before the July 31, 2013 Expiration Date. The DGI Board, for the reasons it sets forth in the enclosed Amendment No. 3, urges you to REJECT the Second Amended Offer and NOT TENDER your Class B Shares.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald H. Nikolaus". The signature is fluid and cursive, with a large loop at the end.

Donald H. Nikolaus  
President

## Brackbill, Robert

---

**From:** Frantz, Jodi (Insurance)  
**Sent:** Wednesday, May 29, 2013 2:20 PM  
**To:** Brackbill, Robert  
**Cc:** Johnson, Stephen; Rankin, Kimberly  
**Subject:** FW: Donegal Group Inc. -Shepard Form A Application --Schedule 14D-9  
**Attachments:** 545516A.PDF

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**From:** Pratter, Robert L. [<mailto:RPratter@duanemorris.com>]  
**Sent:** Wednesday, May 29, 2013 2:19 PM  
**To:** Frantz, Jodi (Insurance)  
**Cc:** Pratter, Robert L.  
**Subject:** Donegal Group Inc. -Shepard Form A Application --Schedule 14D-9

Dear Ms. Frantz:

I have enclosed for the Pennsylvania Insurance Department's information an electronic copy of Donegal Group Inc.'s Amendment No. 3 to Schedule 14D-9 as filed today with the United States Securities And Exchange Commission. Please contact me if you have any questions about this document.

Thank you for your attention.

Respectfully,

**Robert L. Pratter**  
Of Counsel

Duane Morris LLP  
30 South 17th Street  
Philadelphia, PA 19103-4196  
P: +1 215 979 1173  
F: +1 215 754 4845

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