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May 6, 2013

**VIA EMAIL**

Mr. Robert E. Brackbill, Jr.  
Chief, Company Licensing Division  
Pennsylvania Insurance Department (the "Department")  
Office of Corporate and Financial Regulation  
1345 Strawberry Square  
Harrisburg, PA 17120

Re: Form A Dated March 20, 2013, Submitted by Gregory M. Shepard

Dear Mr. Brackbill:

On behalf of Mr. Gregory M. Shepard, we are writing to supplement our letter to the Department dated April 25, 2013, and to respond to your letter on behalf of the Department dated April 17, 2013, as well as the correspondence from counsel for Donegal Group Inc. ("Donegal") to the Department dated April 3, 2013, April 9, 2013, and April 30, 2013.

Mr. Shepard's Form A statement dated March 20, 2013 (the "Form A"), which the Department filed for public inspection on April 12, 2013, included his personal financial statements as Exhibits H-M thereto and his biographical affidavit (and an addendum thereto) as Exhibit N thereto (Exhibits H-N collectively, the "Confidential Documents"). Mr. Shepard requested that the Department provide confidential treatment for the Confidential Documents, and he informed Donegal that he would provide the Confidential Documents to Donegal if it agrees to keep them confidential.

We will provide to Donegal, under separate cover, a confidentiality and non-disclosure agreement with respect the Confidential Documents. If Donegal is willing to sign that agreement, Mr. Shepard will provide the Confidential Documents to Donegal and this issue will be resolved.

Even without a confidentiality and non-disclosure agreement, Mr. Shepard is willing to provide Donegal with redacted versions of the Confidential Documents.

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Mr. Shepard believes that his Form A application is complete in all respects, and that the Department has all of the information necessary for it to elicit public comments and to hold a hearing. Mr. Shepard also believes that Donegal has all of the information it needs to assess and comment on his Form A statement, and that Donegal's demand for the Confidential Documents without signing a confidentiality and nondisclosure agreement is simply another way in which it is seeking to obstruct Mr. Shepard's tender offer.

The overarching reason Mr. Shepard is seeking confidential treatment for the Confidential Documents is that he possesses significant wealth, and providing the Confidential Documents to Donegal without a confidentiality and nondisclosure agreement would place him and his family at risk of identity theft, fraud, or physical harm.

Mr. Shepard's Form A seeks to rebut the presumption of control under Pennsylvania Statutes, Title 40, Chapter 2, Article XIV. In this regard, Mr. Shepard's Form A noted that Donegal is overwhelmingly controlled by its affiliate Donegal Mutual Insurance Company ("Donegal Mutual"), because Donegal Mutual owns – and will continue to own after Mr. Shepard's tender offer, even if it is successful – approximately 65.7% of the total voting power of Donegal's Class A and Class B common stock. In addition, on April 22, 2013, Mr. Shepard amended his tender offer to waive the board representation condition, so it is no longer a condition of the tender offer that three directors selected by Mr. Shepard be appointed to the boards of directors of Donegal and Donegal Mutual.

Because Mr. Shepard's Form A seeks to rebut the presumption of control arising from his possible acquisition of additional shares of Donegal Class B common shares pursuant to his tender offer, "[i]nformation obtained by or disclosed to the department under this subsection must be given confidential treatment as provided under section 1407." 40 P.S. § 991.1402(a)(5).

Moreover, Section 25.12(c) of the Pennsylvania Administrative Code states "that copies of personal financial statements of nonpublicly held ultimate controlling persons shall be given confidential treatment."

In addition, the Confidential Documents are exempt from public access under the following exceptions to Pennsylvania's Right-to-Know Law:

"(1) A record the disclosure of which:

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(ii) would be reasonably likely to result in a substantial and demonstrable risk of physical harm to or the personal security of an individual.

- ...
- (6) (i) The following personal identification information:  
(A) A record containing all or part of a person's Social Security number; driver's license number; **personal financial information**; home, cellular or personal telephone numbers; personal e-mail addresses; employee number or other confidential personal identification number.
- ...
- (11) A record that constitutes or reveals a trade secret or **confidential proprietary information.**" (65 P.S. § 67.708(b); emphasis added.)

Mr. Shepard respectfully submits to the Department that the redacted information in the Confidential Documents constitutes personal financial information and/or confidential proprietary information to be accorded confidential treatment pursuant to the statutes and regulation quoted in the preceding paragraphs.

The Department filed for public inspection on April 12, 2013 a notice regarding Mr. Shepard's Form A application. The notice invites written comments on Mr. Shepard's Form A application during the 60-day period following April 13, 2013, when the notice was published in the Pennsylvania Bulletin.

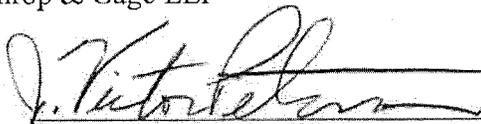
Mr. Shepard reiterates his request for a hearing on his Form A application at the earliest possible date. Please inform us of the hearing date at your earliest opportunity, so we may clear calendars.

Thank you for your attention to this matter. If you have any other questions, or require any further additional information, please do not hesitate to contact the undersigned.

Very truly yours,

Lathrop & Gage LLP

By:

  
J. Victor Peterson, Esq.