DONEGAL GROUP INC
Form 4
July 02, 2007

# FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

| | |
|---|---|
| OMB Number: | 3235-0287 |
| Expires: | January 31, 2005 |
| Estimated average burden hours per response... | 0.5 |

(Print or Type Responses)

1. Name and Address of Reporting Person *
GREENYA CYRIL J

(Last) (First) (Middle)

1195 RIVER ROAD

(Street)

MARIETTA, PA 17547

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
DONEGAL GROUP INC [DGICA]

3. Date of Earliest Transaction (Month/Day/Year)
07/02/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Sr. VP & Chief Undwrtg Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Class A Common Stock (1) | 07/02/2007 | | J | V | 51 | A | $ 12.665 | 2,377 | D | |
| Class B Common Stock | | | | | | | | 820 | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| GREENYA CYRIL J<br>1195 RIVER ROAD<br>MARIETTA, PA 17547 | | | Sr. VP & Chief Undwrtg Officer | |

# Signatures

| | |
|---|---|
| Jeffrey D. Miller, by power of attorney | 07/02/2007 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** Employee Stock Purchase Plan

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. current PPX distribution level of $2.27 per unit

Plains All American & Pacific Energy Partners Partnership Profiles Total Assets (3/31/06) $4.7 B Book Equity (3/31/06) $1.4 B Book Cap. (3/31/06) $2.4 B Enterprise Value * $4.7 B Equity Market Cap. * $3.7 B Plains All American (PAA) Pipelines (active miles) 15,000+ Tankage 39 MMBbls Trucks ~500 Trailers ~500 Crude Volumes: Transported / Mkted 3.0 MMBbl/d Grades & varieties 50+ Operational Metrics Total Assets (3/31/06) $1.5 B Book Equity (3/31/06) $0.7 B Book Cap. (3/31/06) $1.3 B Enterprise Value * $1.9 B Equity Market Cap. * $1.3 B Pacific Energy Partners (PPX) Pipelines (crude) 4,000+ miles Pipelines (products) 550 miles Tankage (crude) 13.5 MMBbls Tankage (products) 7.5 MMBbls Operational Metrics * Equity market cap values based on closing prices as of 7/31/06; Enterprise value calculation based on LT debt at 3/31/06 and does not include value of General Partner.

PAA & PPX - Combined Company An Excellent Strategic Fit & Increases Scale and Scope

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Summary of Transaction Benefits 1. Cost savings synergies Public company and duplicative costs 2. Operating synergies and efficiencies Attractive vertical integration opportunities 3. Commercial opportunities Optimizing PPX s assets 4Additional Organic Growth Projects Combination of PAA s pre-funded, in-progress projects with PPX s longer lead time projects extends visibility 5Expanded talent pool Provides opportunity to augment PAA s existing workforce with quality talent from PPX

Summary of Transaction Benefits (Continued) 6. Reduced project execution risk & continued acquisition growth PAA has personnel and infrastructure in place to manage large scale, complex projects (mitigates risks of time delays) Portfolio effect 7. Increased exposure to foreign import trends 8. Establishment of complementary new growth platforms Refined products for PAA Natural Gas Storage for PPX 9. Reduced financing risk 10. Enhanced business profile lowers operating risk Combination of PAA s and PPX s businesses provides stronger, more diversified and more resilient business profile Synergistic, accretive, strategic & transforming

Target 7% to 9% -- For Directional Illustration Purposes Only -- Strong Distribution Growth Profile Enhanced & Extended Visibility Distribution increase upon closing to $3.20 per unit Immediate distribution hike represents 13% increase over current level Combined financial guidance, synergies & GP IDR reduction provide healthy distribution coverage Targeted distribution growth of 7 - 9% over next several years Future distribution growth outlook underpinned by: PAA & PPX Base businesses + Synergies + Internal Growth Projects + Completion of PAA/Vulcan Natural Gas Storage Facility Future acquisitions would extend tenor and visibility of growth, provide additional excess cash flow to fund internal growth or supplement any unforeseen delays in internal growth projects Note: Columns represent historical distributions paid in each period (annualized) Target 7% to 9% 13% PAA Historical (CAGR = 8.4%) -14- $3.20 $1.75 $2.25 $2.75 $3.25 $3.75 $4.25 1Q01 3Q01 1Q02 3Q02 1Q03 3Q03 1Q04 3Q04 1Q05 3Q05 1Q06 3Q06 2007 2008 2009 Annualized Distribution Per Unit

Supportive PAA GP Owners PAA GP owners agreed to voluntarily reduce incentive distributions by $20 million in 2007 $15 million in 2008 $15 million in 2009 $10 million in 2010 $ 5 million in 2011 This action Increases the amount of excess cash flow available to fund our organic growth projects Maintains an attractive distribution coverage ratio Supports our efforts to achieve a distribution growth trajectory of 7% to 9% post acquisition for the next several years Demonstrates GP s focus on long-term success of PAA and its willingness to help PAA growSynergies -- For Directional Illustration Purposes Only -- Synergies + GP IDR Distribution Reductions 2007 2008 2009 2010 2011 2012 GP Distribution Reductions ~$50 mm ~$70+ mm $20 mm ~$30 mm Note: The timing of the annual GP reductions in cash flow above are for illustration purposes and assume the transaction closes in 4Q 2006. Actual timing of reduction in GP cash flow is contingent upon the closing of the transaction.

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PPX A Significant Asset Base-4,550 miles of pipelines (approx 90% mainline) ~4,000 miles of crude oil pipelines 550 miles of refined products pipelines - Rockies 21 million barrels of tankage 13.5 million barrels of crude oil tankage 7.5 million barrels of refined products tankage

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Strategic Fit California Vertical integration and optimization of major crude oil pipelines AAPL, Line 63 & Line 2000 PPX storage capacity offers PAA opportunity to: Expand foreign import activities to the West Coast Pier 400 further enhances PAA s ability to import foreign crude oil

Strategic Fit Rockies/Canada Combined entity positioned to benefit from: Increasing supply in Canada & increasing demand in PADD IV Expansion projects supported by long-term contracts Synergistic relationship between PAA and PPX s asset base Longer-term potential for additional expansion projects Integration of PAA and PPX Canadian business activities Western Corridor Eastern Corridor

Refined Products Business 550 mile Rocky Mountain refined products pipeline (shown on map at right in red) FERC regulated system with primarily market based rates System originates near Casper, Wyoming Three refined products terminals near Philadelphia Aggregate capacity of 3.1Mmbls Twenty truck unloading lanes Two barge docks and a ship dock Western Corridor Rocky Mountain Products Pipeline

Combination Synergies (Cont d) Identified and Achievable Following initial transition period, PAA estimates it will realize aggregate combination synergies of approximately: $30 million in 2007 $55 million in 2010 $72+ million in 2012 & beyond Combination synergies above consist of: Cost savings (public company and other duplicative costs) Operating synergies and efficiencies (asset integration opportunities) Commercial opportunities (asset optimization and merchant activities) Aggregate capital spending estimates include approximately $102 million of capital through 2011 in order to realize full synergies

Preliminary Projected PPX Adjusted EBITDA Including Synergies $ 5 $314 2010 $ 5 $318 2011 - $337 2012 $ 38 $304 2009 $259 $244 2008 $250 $184 2007 Identified Project Capex (1) PPX EBITDA (2) (In millions of dollars) (1) Including the expected capital expenditures for the last 9 months of 2006, the total amount of growth capital expenditures through 2012 is projected to be approximately $682 million. (2) EBITDA is a non-GAAP financial measure most directly comparable to net income. We are unable to calculate net income for PPX for forecasted periods; therefore, we do not include a quantitative reconciliation of EBITDA to net income for forecasted periods because it is not practicable to do so. See note on slide 4.

Pier 400 Deep Water Terminal PPX s largest internal growth project Total Project cost of ~$315 million 3.0 - 4.0 million barrels of storage Supported by firm capacity commitments by large California refiners Required regulatory approvals still pending Estimated in-service date in 1Q 2009 Storage Tanks Marine Terminal

Increased Fee Based Cash Flow Enhanced Business Profile Lowers Operating Risk PAA- Pre Transaction: By Segment 1,3 (1) PAA estimated 2006 adjusted EBITDA of $466 million (per midpoint of June 12, 2006, guidance excluding SIIC) (2) PAA estimated 2007 adjusted EBITDA guidance of $500 million (per mid-point of June 12, 2006 guidance) plus expected contribution from PPX of $184 million (includes synergies) (3) PAA estimated 2006 and 2007 adjusted EBITDA (per June 12, 2006 guidance) fee based includes pipeline segment and fee based activity in GMT&S (3rd party T&S, 3rd party trucking, predominantly fee-based Andrews acquisition, and intrinsic value of approximately 9 MMBbls of proprietary tankage at an assumed annual transfer price of $1.80 per bbl.) Post-Transaction 2 Fee Based vs Non-Fee Based 3 $684 million including 1st Yr Synergies Pipeline 44% GMT&S 42% GMT&S Fee Based 14% Non-Fee Based ~33% Fee Based ~67%

PAA & PPX, A Great Combination Strategic: quality assets well-positioned to benefit from long-term trends; establishes new growth platforms Transforming: positions combined company for long-term stability and growth Accretive: PAA intends to recommend distribution increase to $3.20 per unit (13% increase over current level) and will continue to target 7% to 9% distribution growth rate over next several years Synergistic: numerous cost saving opportunities; reduced project execution risk and lower operating risk Characteristic

Q&A

Explanation of Responses:

Non-GAAP Reconciliation Note: PAA 2006G is based on the mid-point of the guidance range for 2006 provided via form 8-K on June 12, 2006. EBITDA is a non-GAAP financial measure most directly comparable to net income. PAA Stand-Alone Projections (as of June 12, 2006) (In millions of dollars) 2006G Adjusted EBITDA $466 Selected items impacting comparability (32) EBITDA 435 Depreciation and amortization (92) Interest expense (73) Net Income $269 Adjusted Net Income 301 Selected items impacting comparability (32) Net Income $269