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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8-66137

Washington DC  
409

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

*[Handwritten signature]*

REPORT FOR THE PERIOD BEGINNING 01/01/15 AND ENDING 12/31/15  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Donegal Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

20 Walnut Street, #12

(No. and Street)

Wellesley

MA

02481

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Gilbert Moreira

(781) 431-1003

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Samet & Company, PC

(Name - if individual, state last, first, middle name)

1330 Boylston Street

Chestnut Hill

MA

02467

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

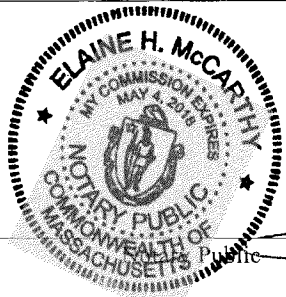
*[Handwritten signature]*

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 control number.

OATH OR AFFIRMATION

I, Gilbert Moreira, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Donegal Securities, Inc., as of December 31, 2015, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_



Gilbert Moreira  
Signature

CCO  
Title

Elaine H. McCarthy  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**DONEGAL SECURITIES, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2015**

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*Certified Public Accountants*

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholder of  
Donegal Securities, Inc.

We have audited the accompanying statement of financial condition of Donegal Securities, Inc. as of December 31, 2015, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of Donegal Securities, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Donegal Securities, Inc. as of December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Computation of Net Capital Pursuant to Uniform Net Capital Rule 15c3-1 has been subjected to audit procedures performed in conjunction with the audit of Donegal Securities, Inc.'s financial statements. The supplemental information is the responsibility of Donegal Securities, Inc.'s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the Computation of Net Capital Pursuant to Uniform Net Capital Rule 15c3-1 is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Samet &amp; Company PC".

Chestnut Hill, Massachusetts

February 25, 2016

- 1 -

Samet & Company PC  
1330 Boylston Street  
Chestnut Hill, MA 02467

617.731.1222  
617.734.8052 fax

[www.samet-cpa.com](http://www.samet-cpa.com)

DONEGAL SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

December 31, 2015

ASSETS

Cash	\$ 182,699
Commissions receivable	95,000
Prepaid expenses	<u>3,162</u>
	\$ <u>280,861</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:	
Commissions payable	\$ 75,000
Accrued expenses	<u>9,706</u>
	<u>84,706</u>
Stockholder's equity:	
Common stock, no par value, 200,000 authorized shares, issued and outstanding 10,000 shares	11,000
Retained earnings	<u>185,155</u>
	<u>196,155</u>
	\$ <u>280,861</u>

DONEGAL SECURITIES, INC.

STATEMENT OF OPERATIONS

Year Ended December 31, 2015

Revenues:	
Commission income	\$ 1,532,306
Miscellaneous income	325
Interest income	173
	<u>1,532,804</u>
Operating expenses:	
Commissions	1,443,519
Accounting fees	9,250
Bank fees	355
Consulting fees	20,936
Dues and licensing	1,516
Printing	62
Education	705
Insurance	11,026
Office services	1,110
Regulatory fees	13,012
Rent	36,343
Corporate excise tax	538
	<u>1,538,372</u>
Net (loss)	\$ <u>(5,568)</u>

DONEGAL SECURITIES, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
Year Ended December 31, 2015

	<u>Common Stock</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>		
Balance, January 1, 2015	10,000 \$	11,000 \$	190,723 \$	201,723
Net (Loss)	<u>-</u>	<u>-</u>	<u>(5,568)</u>	<u>(5,568)</u>
Balance, December 31, 2014	<u>10,000 \$</u>	<u>11,000 \$</u>	<u>185,155 \$</u>	<u>196,155</u>



**DONEGAL SECURITIES, INC.**

**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2015**

Cash flows from operating activities:	
Net income	\$ (5,568)
Adjustments to reconcile net income to net cash used for operating activities:	
Changes in operating assets and liabilities:	
Commissions receivable	(15,000)
Prepaid expenses	1,512
Accounts payable and accrued expenses	<u>(5,000)</u>
Net cash provided by operating activities	<u>(24,056)</u>
Net increase in cash during the year	(24,056)
Cash, beginning of year	<u>206,755</u>
Cash, end of year	\$ <u><u>182,699</u></u>

**DONEGAL SECURITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015**

Note 1 **Organization and nature of business**

Donegal Securities, Inc. (the "Company") is a Massachusetts Corporation incorporated on June 4, 2003. The Company is a service organization primarily engaged in providing advice and other services with respect to employee retirement benefit plans. The Company does business on a fully disclosed basis and, therefore, does not hold or maintain any customer accounts. The Company is a registered broker under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

Note 2 **Summary of significant accounting policies**

**Revenue recognition**

The Company enters into contracts with customers calling for periodic management fees to be paid during the term of the arrangement based on a fixed percentage of assets under management. Accordingly, the Company recognizes commission revenue in the month earned when persuasive evidence of an arrangement exists, the services outlined in the contract have been performed, the price of the contract is fixed or determinable, and collectability is reasonably assured.

**Commissions receivable**

Commissions receivable represent amounts due from customers based on a fixed percentage of assets under management. The Company provides an allowance for doubtful collections which is based on a review of outstanding receivables, historical collection information, and existing economic conditions. At December 31, 2015 there was no reserve for uncollectible receivables.

**Income taxes**

The Company has elected to be taxed as an S corporation and, therefore, in lieu of corporate income taxes, the stockholder is taxed on his proportionate share of the Company's taxable income. Consequently, no provision or liability for federal and Massachusetts income taxes has been included in the accompanying financial statements. The Company, however, is liable for certain state corporate taxes.

DONEGAL SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2015

Note 2

Summary of significant accounting policies (continued)

Income tax positions

The Financial Accounting Standards Board ("FASB") has issued a standard that clarifies the accounting and recognition of income tax positions taken or expected to be taken in the Company's income tax returns. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Company believes that income tax positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions. If the Company incurs interest or penalties as a result of unrecognized tax positions the policy is to classify interest accrued with interest expense and penalties thereon with operating expenses. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Subsequent events

The Company has evaluated subsequent events through February 25, 2016, which is the date the financial statements were available to be issued.

Note 3

Net capital requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital equal to the greater of 6.67% of its aggregate indebtedness or \$5,000 and requires that the company's aggregate indebtedness to net capital ratio, as defined, shall not exceed 15 to 1.

At December 31, 2015 the Company's net capital was \$172,993, which was \$167,346 in excess of its required net capital of \$5,647. The Company's aggregate indebtedness to net capital was .49 to 1.

Note 4

Concentrations

The Company maintains its cash at financial institutions which may exceed federally-insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risk with respect to cash.

**DONEGAL SECURITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2015**

Note 5

**Related party transactions**

For the year ended December 31, 2015, 100% of commission fee income earned by the Company was generated through fees charged to clients for assets under management. In addition, commissions receivable of \$95,000 at December 31, 2015 is due from these clients. These clients are also clients of Kraematon Group, Inc. ("Kraematon"), a related company through common ownership. Kraematon provides various consulting services to these clients and their employees.

The Company has a contract with its sole shareholder, a registered sales representative, which calls for commission payments to be paid in accordance with the agreement. During the year ended December 31, 2015, \$1,434,000 of commissions were paid under this agreement. Further, the Company had accrued commissions due to this shareholder of \$75,000 as of December 31, 2015.

On March 1, 2013 the Company entered into a management services agreement (the "Agreement") with Kraematon. Under the terms of this Agreement, Kraematon shall provide certain administrative services, including facility charges. For the year ended December 31, 2015, the Company incurred a total of \$36,343 of expenses related to this Agreement.

**DONEGAL SECURITIES, INC.**

**COMPUTATION OF NET CAPITAL PURSUANT TO**  
**UNIFORM NET CAPITAL RULE 15c3-1**  
**Year Ended December 31, 2015**

Net capital	
Stockholder's equity	\$ 196,155
Deductions and charges:	
Commissions Receivable	(20,000)
Prepaid expenses	<u>(3,162)</u>
Net capital	\$ <u>172,993</u>
Aggregate indebtedness	
Accounts payable and accrued expenses	\$ <u>84,706</u>
Computation of basic net capital requirement	
Minimum net capital required	\$ 5,647
Minimum dollar net capital required	5,000
Net capital requirement	5,647
Excess net capital	\$ <u>167,346</u>
Net capital less 10% of aggregate indebtedness	\$ <u>164,522</u>
Percentage of aggregate indebtedness to net capital	49%
<b>Reconciliation with Company's computation (included in part II of form X-17A-5 as of December 31, 2015)</b>	
Net capital, as reported in Company's part II (unaudited) focus report	\$ <u>172,993</u>
Net capital per above	\$ <u>172,993</u>

**DONEGAL SECURITIES, INC.**

**REPORT UNDER THE EXEMPTIONS CONTAINED IN RULE 15c3-3**

**Period Ended December 31, 2015**



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*Certified Public Accountants*

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholder of  
Donegal Securities, Inc.

We have reviewed management's statements, included in the accompanying Assertions Regarding Exemption Provisions, in which (1) Donegal Securities, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Donegal Securities, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3(k)(2)(i) (the "exemption provisions") and (2) Donegal Securities, Inc. stated that Donegal Securities, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Donegal Securities Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Donegal Securities, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(i) of Rule 15c3-3 under the Securities Exchange Act of 1934.

A handwritten signature in cursive script that reads "Samet &amp; Company PC".

Chestnut Hill, Massachusetts

February 25, 2016



# ***Donegal Securities, Inc.***

20 Walnut Street, Suite 12, Wellesley, MA 02481-2104 Tel (781) 431-1003 • Fax (781) 431-1063

Donegal Securities, Inc.  
EXEMPTION REPORT

Donegal Securities, Inc. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. §240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from 17 C.F.R. §240.15c3-3 under the following provisions of 17 C.F.R. §240.15c3-3(k)(2)(i)
- (2) The Company met the identified exemption provisions in 17 C.F.R. §240.15c3-3(k) throughout the most recent fiscal year without exception.

By: 

Title: Chief Compliance Officer

Date: 2-9-16

Securities offered through Donegal Securities, Inc  
Member FINRA, SIPC

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

OMB APPROVAL	
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8-

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/15 AND ENDING 12/31/15  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Donegal Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

20 Walnut Street, #12

(No. and Street)

Wellesley

(City)

MA

(State)

02481

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Gilbert Moreira

(781) 431-1003

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Samet & Company, PC

(Name - if individual, state last, first, middle name)

SECURITIES AND EXCHANGE COMMISSION  
**RECEIVED**

1330 Boylston Street

(Address)

Chestnut Hill

(City)

MA

(State)

FEB 29 2016  
02467

(Zip Code)

DIVISION OF TRADING & MARKETS

CHECK ONE:

- Certified Public Accountant  
 Public Accountant  
 Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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 control number.

OATH OR AFFIRMATION

I, Gilbert Moreira, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Donegal Securities, Inc., as of December 31, 2015, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

[Signature]  
Signature

CCO

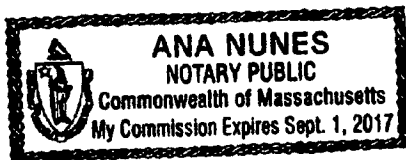
Title

[Signature]  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



Commonwealth of Massachusetts  
Middlesex County, ss.  
On this 25th day of February, 2016 before me,  
the undersigned notary public, personally appeared  
Gilbert Moreira  
proved to me through satisfactory evidence of identification,  
which were Mass DL, to be the person  
whose name is signed on the preceding or attached document,  
and acknowledged to me that he signed it voluntarily for its  
stated purpose.  
[Signature]  
Notary Public

**DONEGAL SECURITIES, INC.**

**AGREED - UPON PROCEDURES**

**December 31, 2015**



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*Certified Public Accountants*

**INDEPENDENT ACCOUNTANTS' AGREED-UPON PROCEDURES REPORT ON  
SCHEDULE OF ASSESSMENT AND PAYMENTS (FORM SIPC-7)**

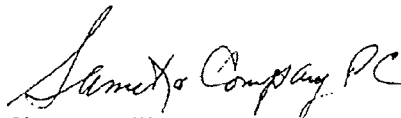
Board of Directors and Stockholder of Donegal Securities, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2015, which were agreed to by Donegal Securities, Inc., and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating Donegal Securities, Inc.'s compliance with the applicable instructions of Form SIPC-7. Donegal Securities, Inc.'s management is responsible for Donegal Securities, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

- 1) Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries (canceled checks), as applicable, noting no differences;
- 2) Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2015, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2015, noting no differences;
- 3) Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments, noting no differences.
- 4) Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed, noting no differences.
- 5) Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed, noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

  
Chestnut Hill, Massachusetts

February 25, 2016

- 1 -

Samet & Company PC  
1330 Boylston Street  
Chestnut Hill, MA 02467

617.731.1222  
617.734.8052 fax

[www.samet-cpa.com](http://www.samet-cpa.com)



DONEGAL SECURITIES, INC.

GENERAL ASSESSMENT RECONCILIATION  
Year Ended December 31, 2015

General assessment	\$	-
Less payments made with SIPC-6 filed July 24, 2015		<u>-</u>
		-
Less prior overpayment applied		<u>(856)</u>
Total assessment balance		(856)
Payments made with SIPC-7		<u>-</u>
Overpayment carried forward	\$	<u><u>(856)</u></u>

Collection agent:

Securities Investor Protection Corporation  
P.O. Box 92185 Washington, D.C. 20090-2185