
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): July 9, 2014

Donegal Group Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-15341
(Commission
file number)

23-02424711
(I.R.S. employer
identification no.)

1195 River Road, Marietta, Pennsylvania
(Address of principal executive offices)

17547
(Zip code)

Registrant's telephone number, including area code: 717-426-1931

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01. Other Events.

Gregory M. Shepard (“Shepard”) delivered a letter dated June 18, 2014 (the “Shepard Letter”) jointly addressed to the Board of Directors of Donegal Group Inc. (“DGI”) and the Board of Directors of Donegal Mutual Insurance Company (“Donegal Mutual”). In the Shepard Letter, Shepard proposed to (1) purchase approximately 3,971,000 shares of DGI Class A common stock from DGI Class A stockholders through (a) market purchases and/or (b) privately negotiated acquisitions, or alternatively (c) a tender offer, presumably at a premium purchase price; and (2) sell his 397,000 shares of Class B common stock to Donegal Mutual or a third party. Shepard also expressed his desire, if his proposal was accepted, to discuss with the boards of directors of Donegal Mutual and DGI the prospect of Shepard and/or Shepard’s representatives having seats on the boards of directors of both DGI and Donegal Mutual.

By letter dated July 9, 2014, John J. Lyons, the Chairman of the DGI Special Committee, on behalf of the DGI Board of Directors, responded to Shepard. We attach a copy of the July 9, 2014 letter from Mr. Lyons to Shepard as Exhibit 99.1 to this Form 8-K report, which we incorporate by reference into this Form 8-K report.

Item 9.01. Financial Statements and Exhibits.

<u>Exhibit No.</u>	<u>Exhibit Description</u>
99.1	Letter dated July 9, 2014 from John J. Lyons, Chairman, Donegal Group Inc. Special Committee, to Gregory M. Shepard.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DONEGAL GROUP INC.

By: /s/ Jeffrey D. Miller
Jeffrey D. Miller, Executive Vice
President and Chief Financial Officer

Date: July 21, 2014

KEEFE VENTURES, LLC

July 9, 2014

By Federal Express

Gregory Shepard
7028 Portmarnock Place
Bradenton, Florida 34202

Re: Response to letter dated June 18, 2014

Dear Mr. Shepard:

The purpose of this letter is to respond to your letter of June 18, 2014 to the Boards of Directors of Donegal Group, Inc. ("DGI") and Donegal Mutual Insurance Company ("Donegal Mutual"). In your letter, you proposed an amicable transaction in which you would (1) purchase from the holders of DGI Class A common stock ("Class A Stock") approximately 3,971,000 shares of Class A Stock through (a) open market purchases and/or (b) privately negotiated acquisitions, or alternatively (c) a tender offer, presumably at a premium purchase price; and (2) sell your 397,100 shares of Class B common stock ("Class B Stock") to Donegal Mutual or a third party.

In addition, you have indicated that you would like to discuss you or your representative having seats on the Boards of Directors of DGI and/or Donegal Mutual.

With respect to your proposal to purchase shares of DGI Class A Stock, we remind you that any such purchases must be accomplished in a lawful manner and that you must remain under the 10% voting power ceiling imposed on you by insurance department and other applicable regulatory requirements.

With respect to your proposal to sell shares of your Class B Stock to Donegal Mutual or a third party, we have been advised that the Board of Directors of Donegal Mutual has considered your proposal and decided not to pursue the transaction you propose. In addition, the Donegal Mutual Board has considered your request to discuss you or your representatives having seats on the Donegal Mutual Board and has determined not to engage in any such discussions.

Other than DGI's obligations under the SEC's tender offer rules, nothing in your proposal with respect to the purchase or sale of DGI's securities requires any action on the part of DGI. With respect to Donegal Mutual, as indicated above, its Board has determined not to pursue the transaction you proposed in your June 18, 2014 letter.

Gregory Shepard
July 9, 2014
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With respect to your request to discuss you or your representatives having seats on the DGI Board of Directors, we refer you to Section 2.3 of the Amended and Restated By-laws of DGI related to director nominations and the description of the director nomination process contained at pages 38 and 50-51 of the DGI Proxy Statement dated March 17, 2014.

With respect to your invitation to meet with the DGI and Donegal Mutual Boards of Directors to explain why you believe such an amicable transaction would be in the best interests of Donegal Mutual and DGI, and their policyholders, shareholders, employees and other constituencies, we can only respond to your invitation on behalf of the DGI Board. On behalf of the DGI Board and specifically in response to your invitation to the DGI Board, the Special Committee of the DGI Board is willing to meet with you at a mutually convenient time at the Philadelphia offices of Ballard Spahr LLP, counsel to the DGI Special Committee. If you would like to arrange such a meeting, please contact David Pittinsky, counsel to the DGI Special Committee, at (215) 864-8117.

Very truly yours,

A handwritten signature in black ink, appearing to read "John J. Lyons". The signature is stylized with a large, sweeping loop on the left side and a long, horizontal stroke extending to the right.

John J. Lyons
Chairman, Donegal Group Inc.
Special Committee