DONEGAL GROUP INC
Form 4
December 23, 2013

FORM 4

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

OMB APPROVAL

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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

(Print or Type Responses)

1. Name and Address of Reporting Person *
PANDEY SANJAY

(Last) (First) (Middle)

1195 RIVER ROAD, P.O. BOX 302

(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)
12/19/2013

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 Information Off

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			

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	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Options	$ 15.9	12/19/2013		A		60,000		07/01/2014	12/19/2023	Class A Common Stock	60,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PANDEY SANJAY 1195 RIVER ROAD P.O. BOX 302 MARIETTA, PA 17547			Sr. VP & Chief Information Off	

Signatures

Jeffrey D. Miller, by power of attorney	12/23/2013
**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).

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. "font: 10pt/normal Times New Roman, Times, Serif; margin: 0; text-align: justify; background-color: white">On May 9, 2014, the Company issued to a total of 6,000,000 shares of Common Stock to its three former directors of the Company, with each former director receiving 2,000,000 shares, pursuant to the agreements between the Company and each of the former directors dated February 5, 2014.

On September 17, 2014, Jeffrey Devlin resigned as Chief Financial Officer and Director of the Company.

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CMG HOLDINGS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(Unaudited)

NOTE 12 – GOING CONCERN

As reported in the consolidated financial statements, the Company has an accumulated deficit as of June 30, 2015 and its current liabilities exceeded its current assets. There were recurring losses from operations and cash flows. There is a potential for this negative trend to continue.

These factors create uncertainty about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable and to create operations that contribute capital from normal operations. If the Company cannot obtain adequate capital or revenue streams it could be forced to cease operations.

NOTE 13 – SUBSEQUENT EVENTS

The Company has evaluated events subsequent through the date these financial statements have been issued to assess the need for potential recognition or disclosure in this report. Such events were evaluated through the date these financial statements were available to be issued. Based upon this evaluation, it was determined that, with the exception of disclosure below, no other subsequent events occurred that require recognition or disclosure in the financial statements.

During July 2015 the Company issued 126,000,000 of its common shares in conversion of convertible notes to KBM Worldwide and KBM Investments, Inc.

The Company borrowed $150,000 from two Irish pension funds to purchase all of the remaining debt of KBM Worldwide, Inc. and KBM Investments, LLC. The terms for the loan are in the final stages of negotiation and will require a payment upon and if the Company is victorious in the pending litigation against Hudson Grey et al.

During July 2015 the Company issued 9,000,000 of its common shares in conversion of a convertible note to Iconic Holdings, LLC. The Company holds an option to purchase the remaining debt from Iconic Holdings, LLC for $43,000.

During July 2015 the Company issued 25,000,000 of its common shares in conversion of a convertible note to Typenex Co-Investment, LLC. The Company holds an option to purchase the remaining debt from Typenex Co-Investment, LLC. for $65,000.

We expect these two notes to be extinguished previous to the end of the forth quarter of 2015.

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ITEM 2 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS

In addition to historical information, this Form 10-Q (this “Quarterly Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, which includes, but are not limited to, statements concerning expectations as to our revenues, expenses, and net income, our growth strategies and plans, the timely development and market acceptance of our products and technologies, the competitive nature of and anticipated growth in our markets, our ability to achieve cost reductions, the status of evolving technologies and their growth potential, the adoption of future industry standards, expectations as to our financing and liquidity requirements and arrangements, the need for additional capital, and other matters that are not historical facts. These forward-looking statements are based on our current expectations, estimates, and projections about our industry, management’s beliefs, and certain assumptions made by it. Words such as “anticipates”, “appears”, “believe,”, “expects”, “intends”, “plans”, “believes, “seeks”, “assume,” “estimates”, “may”, “will” these words or similar expressions are intended to identify forward-looking statements. All statements in this Quarterly Report regarding our future strategy, future operations, projected financial position, estimated future revenue, projected costs, future prospects, and results that might be obtained by pursuing management’s current plans and objectives are forward-looking statements. Therefore, actual results could differ materially and adversely from those results expressed in any forward-looking statements, as a result of various factors. Readers are cautioned not to place undue reliance on forward-looking statements, which are based only upon information available as of the date of this report. You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our forward-looking statements are based on the information currently available to us and speak only as of the date on which this Quarterly Report was filed with the Securities and Exchange Commission (“SEC”). We expressly disclaim any obligation to revise or update publicly any forward-looking statements even if subsequent events cause our expectations to change regarding the matters discussed in those statements. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such difference might be significant and materially adverse to our stockholders. Unless the context indicates otherwise, the terms “Company”, “Corporate”, “CMGO”, “our”, and “we” refer to CMG Holdings Group, Inc. and its subsidiaries.

RESULTS OF OPERATIONS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015

Gross revenues decreased from $7,526,474 for the six months ended June 30, 2014 to $453,809 for the six months ended June 30, 2015. The decrease in revenues was mainly attributable to the legal issues surrounding XA and its ongoing suit and lack of finances due to the same issue.

Cost of revenue decreased from $6,248,643 for the six months ended June 30, 2014 to $162,531 for the six months ended June 30, 2015. The decrease in cost of goods sold was due to the decrease in revenues of XA, The Experiential Agency, Inc. (XA).

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Operating expenses decreased from $2,185,513 for the six months ended June 30, 2014 to $358,702 for six months ended June 30, 5 The decrease in operating expenses is due to the decrease in revenues for the six months ended June 30, 2015.

Net loss decreased from $1,164,807 for the six months ended June 30, 2014 to $269,343 for the six months ended June 30, 2015. The decrease in net loss is due to the decrease in revenues and cost of revenue and the realized and unrealized gains of marketable securities incurred during the and six months ended June 30, 2015 from the six months ended June 30, 2014.

LIQUIDITY AND CAPITAL RESOURCES:

As of June 30, 2015, the Company's cash on hand was $77,707.

Cash used in operating activities for the six months ended June 30, 2015 was $145,179, as compared to cash provided by operating activities of $3,578 for the six months ended June 30, 2014. This change is due to realized and unrealized gains on marketable securities of $0 and $0, respectively for the six months ended June 30, 2015 as compared to $2,456 and $193,487 for the three months and six months ended June 30, 2014.

Cash from investing activities for the six months ended June 30, 2015 was $195,000 as compared cash provided by investing activities of $521,932 for the six months ended June 30, 2014. During the six months ended June 30, 2014, sold 925,925 shares of the Company's holdings in AudioEye, Inc., for net proceeds of $250,000.

Cash provided by financing activities for the six months ended June 30, 2015 was $0, as compared to $15,000 provided for the six months ended June 30, 20143.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4 – CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2015. Based upon such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2015, the Company's disclosure controls and procedures were not effective due to the identification of a material weakness in our internal control over financial reporting which is identified below, which we view as an integral part of our disclosure controls and procedures. This conclusion by the Company's Chief Executive Officer and Chief Financial Officer does not relate to reporting periods after December 31, 2014.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2015 based on the framework stated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 1992). Furthermore, due to our financial situation, the Company will be implementing further internal controls as the Company becomes operative so as to fully comply with the standards set by the Committee of Sponsoring Organizations of the Treadway Commission.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles. Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on its evaluation as of December 31, 2014, our management concluded that our internal controls over financial reporting were not effective as of December 31, 2014 due to the identification of a material weakness. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. At any time, if it appears that any control can be implemented to continue to mitigate such weaknesses, it is immediately implemented. As soon as our finances allow, we will hire sufficient accounting staff and implement appropriate procedures for monitoring and review of work performed by our Chief Financial Officer.

In performing this assessment, management has identified the following material weaknesses as of December 31, 2014:

There is a lack of segregation of duties necessary for a good system of internal control due to insufficient accounting staff due to the size of the Company

Lack of a formal review process that includes multiple levels of reviews

Employees and management lack the qualifications and training to fulfill their assigned accounting and reporting functions

Inadequate design of controls over significant accounts and processes

Inadequate documentation of the components of internal control in general

Failure in the operating effectiveness over controls related to valuing and recording equity based payments to employees and non-employees

Failure in the operating effectiveness over controls related to valuing and recording debt instruments including those with conversion options and the related embedded derivative liabilities

Failure in the operating effectiveness over controls related to recording revenue and expense transactions in the proper period

Failure in the operating effectiveness over controls related to evaluating and recording related party transactions

The Company is not required by current SEC rules to include, and does not include, an auditor's attestation report. The Company's registered public accounting firm has not attested to Management's reports on the Company's internal control over financial reporting. As of June 30, 2015 no changes have occurred.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

On April 7, 2014, the Board of Directors of the Company appointed Mr. Glenn Laken as the Company’s Chief Executive Officer. Mr. Jeffrey Devlin remained as the Company’s acting Chief Financial Officer.

Except for the above, no change in the Company’s internal control over financial reporting occurred during the period ended June 30, 2015, that materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

We are subject to certain claims and litigation in the ordinary course of business. It is the opinion of management that the outcome of such matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

On July 6, 2011, the Company was served with a lawsuit filed in the Circuit Court for the County of Multnomah, Oregon. The complaint alleges breach of contract and entitlement to consulting fees from the Company. The case was settled in 2012 for $30,000 and the settlement amount has not been paid.

ITEM 1A – RISK FACTORS

The Company is a smaller reporting company and is therefore not required to provide this information.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

All unregistered sales of the Company's securities have been disclosed on the Company's current reports on Form 10-K and form 8-K.

ITEM 3 – DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

None.

ITEM 5 – OTHER INFORMATION

On February 24, 2015, CMG Holdings Group, Inc.'s (the "Company") subsidiary, XA, The Experiential Agency, Inc. ("XA") having determined that it could no longer operate its business, as it was then constituted, decided to execute an assignment for the benefit of creditors to Tailwind Services LLC ("Tailwind"). An Assignment for the Benefit of Creditors is a method of liquidating a business. To that end a Trust Agreement and Assignment of Assets for the Benefit of Creditors was executed on February 24, 2015, transferring all of the assets of XA to Tailwind. Subsequently Tailwind advertised a sale of XA's assets to the Company for the approximate sum of $60,000 (the "Sale"). An Asset Purchase Agreement was executed between XA and the Company on March 4, 2015. The Sale of XA's assets to CMG was consummated on March 25, 2015. Only assets were purchased by CMG liabilities were not assumed. The assets consisted of, among other things, all personal property of XA including accounts receivable, the XA name and other general intangibles of XA, as well as a cause of action involving stolen services.

ITEM 6 – EXHIBITS

Exhibit Number	**Description of Exhibit**	**Filing Reference**
4.1	Form of Warrant issued to Glenn Laken.	Filed herewith.
10.1	Employment Agreement, dated April 30, 2014, between the Company and Glenn Laken.	Filed herewith.
31.01	Certification of Principal Executive Officer Pursuant to Rule 13a-14.	Filed herewith.
31.02	Certification of Principal Financial Officer Pursuant to Rule 13a-14.	Filed herewith.
32.01	CEO and CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act.	Filed herewith.
101.INS	XBRL Instance Document.	
101.SCH	XBRL Taxonomy Extension Schema Document.	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

* The XBRL-related information in Exhibits 101 to this Quarterly Report on Form 10-Q shall not be deemed “filed” or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and is not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of those sections.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

CMG HOLDINGS GROUP, INC.

Dated: October 22, 2015 **By:** /s/ ***Glenn Laken***

Glenn Laken

Chief Executive Officer, Chief Financial Officer

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