Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

(Mark One)
[x] Quarterly Report Pursuant to Section 13 of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 1998

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ________________ to __________________.

Commission File No. 0-15341

Donegal Group Inc.
(Exact name of registrant as specified in its charter)

Delaware	23-2424711
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1195 River Road, P.O. Box 302, Marietta, PA 17547-0302
(Address of principal executive offices, including zip code)

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

- --
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x . No.__ .

Applicable Only to Issuers Involved in Bankruptcy Proceedings During the Preceding Five Years:

Indicate by check mark whether the registrant has filed all documents and reports required by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes __ . No __ .

Applicable Only to Corporate Issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 6,072,043 shares of Common Stock, $1.00 par value, outstanding on April 30, 1998.

Part I. Financial Information

Item 1. Financial Statements.

Donegal Group Inc. And Subsidiaries
Consolidated Balance Sheet

Assets	March 31, 1998 (Unaudited)	December 31, 1997
Investments		
Fixed maturities		
Held to maturity, at amortized cost	$114,129,543	$117,246,205
Available for sale, at market value	62,709,150	57,731,251
Equity securities, available for sale at market	12,009,052	7,274,562
Short-term investments, at cost, which approximate market	12,105,067	22,712,787
Total Investments	200,952,812	204,964,805
Cash	2,233,830	3,413,315
Accrued investment income	2,542,803	2,741,207
Premiums receivable	11,945,251	11,244,628
Reinsurance receivable	41,750,593	40,953,032
Deferred policy acquisition costs	8,645,012	8,448,060
Federal income tax receivable	---	56,454
Deferred federal income taxes	3,059,607	3,302,043
Prepaid reinsurance premiums	24,380,777	22,882,283

Property and equipment, net	5,096,485	4,938,524
Accounts receivable - securities	1,684,799	456,493
Due from affiliate	---	141,313
Other	1,038,751	562,348
Total Assets	$303,330,720	$304,104,505

Liabilities and Stockholders' Equity

Liabilities

Losses and loss expenses	$119,121,004	$118,112,390
Unearned premiums	73,273,422	71,367,691
Accrued expenses	2,336,400	3,214,767
Reinsurance balances payable	659,639	735,009
Federal income tax payable	1,155,544	---
Cash dividend declared to stockholders	---	604,054
Line of credit	5,000,000	10,500,000
Accounts payable - securities	---	2,499,059
Other	686,036	283,098
Due to affiliate - Pioneer acquisition	5,191,774	5,191,774
- Other	163,595	---
Total Liabilities	207,587,414	212,507,842

Stockholders' Equity

Preferred stock, $1.00 par value, authorized 1,000,000 shares; none issued		
Common stock, $1.00 par value, authorized 10,000,000 shares, issued 6,149,448 and 6,122,431 shares and outstanding 6,057,732 and 6,030,715 shares	6,149,448	6,122,431
Additional paid-in capital	39,432,923	38,932,117
Accumulated other comprehensive income	1,313,583	1,011,417
Retained earnings	49,739,108	46,422,454
Treasury stock	(891,756)	(891,756)
Total Stockholders' Equity	95,743,306	91,596,663
Total Liabilities and Stockholders' Equity	$303,330,720	$304,104,505

See accompanying notes to consolidated financial statements.

Donegal Group Inc. and Subsidiaries
Consolidated Statement of Income
(Unaudited)

For the three months ended March 31, 1998 and 1997

	Three Months Ended March 31, 1998	1997
Revenues:		
Premiums earned	$40,478,779	$39,041,184
Premiums ceded	13,274,235	12,636,851
Net premiums earned	27,204,544	26,404,333
Investment income, net of investment expenses	2,845,267	2,844,983
Realized gain	311,793	37,827
Lease income	183,064	142,452
Service charge income	351,476	393,776
Total Revenues	30,896,144	29,823,371
Expenses:		
Losses and loss expenses	24,926,996	23,907,647
Reinsurance recoveries	9,125,091	6,995,104
Net losses and loss expenses	15,801,905	16,912,543
Amortization of deferred policy acquisition costs	4,700,000	4,479,000
Other underwriting expenses	4,696,951	4,112,816
Policy dividends	477,858	433,699
Interest	183,059	164,987
Other expenses	421,809	397,465
Total Expenses	26,281,582	26,500,510
Income before income taxes	4,614,562	3,322,861
Income taxes	1,297,909	760,428
Net income	$3,316,653	$ 2,562,433
Earnings per common share		
Basic	$.54	$.43
Diluted	$.53	$.43

Statement of Comprehensive Income
(Unaudited)

	Three Months Ended March 31, 1998	1997
Net Income	$ 3,316,653	$ 2,562,433
Other comprehensive income (loss), net of tax		
Unrealized gains (losses) on securities:		
Unrealized holding gain arising during the period	343,502	(634,594)
Less: Reclassification adustment for gains (losses) included in Net income	(41,336)	(3,590)
Other comprehensive income (loss)	302,166	(638,184)
Comprehensive income	$ 3,618,819	$ 1,924,249

See accompanying notes to consolidated financial statements.

DONEGAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 1998

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 1997	6,122,431	$6,122,431	$38,932,117	$1,011,417	$46,422,454	$(891,756)	$91,596,663
Issuance of Common Stock	27,017	27,017	500,806				527,823
Net Income					3,316,654		3,316,654
Other Comprehensive Income				302,166			302,166
Balance, March 31, 1998	6,149,448	$6,149,448	$39,432,923	$1,313,583	$49,739,108	$(891,756)	$95,743,306

See accompanying notes to financial statements.

DONEGAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

For the three months ended March 31, 1998 and 1997

	Three months ended March 31, 1998	1997
Cash Flows from Operating Activities:		
Net income	$ 3,316,653	$ 2,562,433
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	114,373	78,089
Realized investment gain	(311,793)	(37,827)
Changes in Assets and Liabilities:		
Losses and loss expenses	1,008,614	(466,011)
Unearned premiums	1,905,731	(357,273)
Premiums receivable	(700,623)	(123,821)
Deferred acquisition costs	(196,952)	177,205
Deferred income taxes	86,774	(108,989)
Reinsurance receivable	(797,561)	1,729,008
Prepaid reinsurance premiums	(1,498,494)	(537,452)
Accrued investment income	198,404	59,831
Due from affiliate	141,313	1,117,987
Accounts payable reinsurance	(75,370)	39,219
Current income taxes payable	1,212,008	(144,575)
Other, net	(788,247)	(239,211)
Net adjustments	298,177	1,186,180
Net cash provided by operating activities	3,614,830	3,748,613
Cash flows from investing activities:		
Purchase of fixed maturities		
Held to maturity	(5,391,567)	(8,732,818)
Available for sale	(11,341,414)	(7,473,721)
Purchase of equity securities, available for sale	(7,459,192)	(1,908,722)
Maturity of fixed maturities		
Held to maturity	8,520,875	2,042,049
Available for sale	3,200,000	2,250,000
Sale of fixed maturities - available for sale	535,765	4,010,313
Sale of equity securities, available for sale	2,394,367	460,763
Purchase of property and equipment	(284,638)	(582,042)
Net sales of short-term investments	10,607,720	5,897,305
Net cash used in investing activities	781,916	(4,036,873)
Cash flows from financing activities:		
Cash dividends paid	(604,054)	(492,619)
Issuance of common stock	527,823	121,006
Line of credit, net	(5,500,000)	--
Net cash provided by (used in) financing activities	(5,576,231)	(371,613)
Net decrease in cash	(1,179,485)	(659,873)
Cash at beginning of year	3,413,315	3,700,163
Cash at end of quarter	$ 2,233,830	$ 3,040,290
Cash paid during period - Interest	$ 2,711	$ 164,975
- Income taxes	$ 112,045	$ 724,842

See accompanying notes to consolidated financial statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Donegal Group Inc. ("DGI" or the "Company") is a regional insurance holding company doing business in Pennsylvania, Maryland, Delaware, Virginia and Ohio through its four wholly owned property-casualty insurance subsidiaries, Atlantic States Insurance Company ("Atlantic"), Southern Insurance Company of Virginia ("Southern"), Pioneer Insurance Company ("Pioneer") and Delaware Atlantic Insurance Company ("Delaware"). The Company's major lines of business in 1997 and their percentage of total net earned premiums were Automobile Liability (27.8%), Workers' Compensation (15.9%), Automobile Physical Damage (17.1%), Homeowners (17.6%), and Commercial Multiple Peril (15.6%). The subsidiaries are subject to regulation by Insurance Departments in those states in which they operate and undergo periodic examination by those departments. The subsidiaries are also subject to competition from other insurance carriers in their operating areas. DGI was formed in September 1986 by Donegal Mutual Insurance Company (the "Mutual Company"), which owns 58% of the outstanding common shares of the Company as of March 31, 1998.

Atlantic States participates in an intercompany pooling arrangement with the Mutual Company and assumes 65% of the pooled business, 60% prior to January 1, 1996. Southern cedes 50% of its business to the Mutual Company and Delaware cedes 70% of its Workers' Compensation business to the Mutual Company. Because the Mutual Company places substantially all of the business assumed from Southern and Delaware into the pool, from which the Company has a 65% allocation, the Company's results of operations include approximately 80% of the business written by Southern and approximately 75% of the Workers' Compensation business written by Delaware.

In addition to the Company's insurance subsidiaries, it also owns all of the outstanding stock of Atlantic Insurance Services, Inc. ("AIS"), an insurance services organization currently providing inspection and policy auditing information on a fee for service basis to its affiliates and the insurance industry.

DONEGAL GROUP INC. AND SUBSIDIARIES
(Unaudited)
Summary Notes to Consolidated Financial Statements

1 - Organization

The Company was organized as a regional insurance holding company by Donegal Mutual Insurance Company (the "Mutual Company") on August 26, 1986 and operates in Pennsylvania, Maryland, Delaware, Virginia and Ohio through its wholly owned stock insurance companies, Atlantic States Insurance Company ("Atlantic States"), Southern Insurance Company of Virginia ("Southern"), Delaware Atlantic Insurance Company ("Delaware"), Pioneer Insurance Company ("Pioneer") and Atlantic Insurance Services, Inc. ("AIS"). The Company's major lines of business are Automobile Liability, Automobile Physical Damage, Homeowners, Commercial Multiple Peril and Workers' Compensation. Atlantic, Southern and Delaware are subject to regulation by Insurance Departments in those states in which they operate and undergo periodic examination by those departments. They are also subject to competition from other insurance carriers in their operating areas. Atlantic States engages in the insurance business primarily through an intercompany pooling arrangement with the Mutual Company. Southern was acquired by the Company on December 31, 1988 pursuant to a plan of conversion from a mutual to a stock company and cedes 50% of its business to the Mutual Company, 80% prior to 1991. On December 29, 1995, the Company acquired all of the outstanding stock of Delaware. This transaction was accounted for as if it were a "Pooling of Interest," and as such, the Company's financial statements have been restated to include Delaware as a consolidated subsidiary from January 1, 1994 to the present. On March 31, 1997, the Company acquired all of the outstanding stock of Pioneer. This transaction was accounted for as if it were a "Pooling of Interest", and as such the Company's financial statements have been restated to include Pioneer as a consolidated subsidiary from January 1, 1994 to the present. At March 31, 1998 the Mutual Company held 58% of the outstanding common stock of the Company.

2 - Basis of Presentation

The financial information for the interim period included herein is unaudited; however, such information reflects all adjustments, consisting only of normal recurring adjustments, which, in the opinion of management of Registrant, are necessary to a fair presentation of Registrant's financial position, results of operations and changes in financial position for the interim period included herein. The results of operations for the three months ended March 31, 1998, are not necessarily indicative of results of operations to be expected for the twelve months ended December 31, 1998.

These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997.

Results of Operations - Three Months Ended March 31, 1998
to Three Months Ended March 31, 1997

Revenues for the three months ended March 31, 1998 were $30,896,144 an increase of $1,072,773 or 3.6%, over the same period of 1997. An increase in net premiums earned of $800,211 or 3.0%, represented most of this change. Investment income for the first quarter of 1998 was $2,845,267, an increase of $284 over the first quarter of 1997. An increase in the average invested assets of $10,034,140 or 5.2%, to $202,958,808 and a decrease in the average return on investments to an annualized rate of 5.6% for the first quarter of 1998 compared to 5.9% for the first quarter of 1997, accounted for the change. Realized investment gains, which resulted from the normal turnover of the Company's investment portfolio, increased $273,966 for the three months ended March 31, 1998 compared to the same period in 1997, to $311,793.

The GAAP combined ratio of insurance operations in the first quarter of 1998 was 94.4% compared to 98.2% for the same period in 1997. The GAAP combined ratio is the sum of the ratios of incurred losses and loss adjusting expenses to premiums earned (loss ratio), policyholders dividends to premiums earned (dividend ratio), and underwriting expenses to premiums earned (expense ratio). The Company posted a loss ratio of 58.1% for the first quarter 1998 compared to the 64.1% loss ratio it posted for the first quarter 1997. The expense ratio increased from 32.5% to 34.5% for the three months ended March 31, 1998 due primarily to increases in incentive expenses for employees and agents related to the lower claims activity for the first three months of the year. The dividend ratio increased slightly from 1.6% for the first quarter of 1997 to 1.8% for the first quarter of 1998.

Federal income taxes for the first quarter of 1998 represented 28.1% of income before income taxes, compared to 22.9% for the same period of 1997. Higher levels of underwriting profits in 1998 representing a larger portion of overall taxable income than in 1997 accounted for the increase.

Liquidity and Capital Resources

The Company generates sufficient funds from its operations and maintains a high degree of liquidity in its investment portfolio. The primary source of funds to meet the demands of claim settlements and operating expenses are premium collections, investment earnings and maturing investments. As of March 31, 1998, the Company had no material commitment for capital expenditures.

In investing funds made available from operations, the Company maintains securities maturities consistent with its projected cash needs for the payment of claims and expenses. The Company maintains a portion of its investment portfolio in relatively short-term and highly liquid assets to ensure the availability of funds.

As of March 31, 1998, pursuant to a credit agreement dated December 29, 1995, with Fleet National Bank of Connecticut, the Company had unsecured borrowings of $5.0 million. Per the terms of the credit agreement, the Company may borrow up to $20 million at interest rates equal to the bank's then current prime rate or the then current London interbank Eurodollar bank rate plus 1.70%. At March 31, 1998, the interest rate on the outstanding balance was 7.60625%. In addition, the Company will pay a non-use fee at a rate of 3/10 of 1% per annum on the average daily unused portion of the Bank's commitment. On each December 29, commencing December 29, 1999, the credit line will be reduced by $4 million. Any outstanding loan in excess of the remaining credit line, after such reduction, will then be payable.

The Company's principal source of cash with which to pay stockholder dividends is dividends from Atlantic States, Southern, Pioneer and Delaware, which are required by law to maintain certain minimum surplus on a statutory basis and are subject to regulations under which payment of dividends from statutory surplus is restricted and may require prior approval of their domiciliary insurance regulatory authorities. Atlantic States, Southern, Pioneer and Delaware are subject to Risk Based Capital (RBC) requirements effective for 1994. At December 31, 1997, all four Companies' capital was substantially above the RBC requirements. At December 31, 1997, amounts available for distribution as dividends to Donegal Group without prior approval of the insurance regulatory authorities are $7,349,284 from Atlantic States, $703,688 from Southern, $542,799 from Pioneer and $1,070,463 from Delaware.

Credit Risk

The company provides property and liability coverages through its subsidiaries' independent agency systems located throughout its operating area. The majority of this business is billed directly to the insured although a portion of Donegal Group's commercial business is billed through its agents who are extended credit in the normal course of business.

The Company's subsidiaries have reinsurance agreements in place with the Mutual Company and with a number of other major authorized reinsurers.

Impact of Inflation

Property and casualty insurance premiums are established before the amount of losses and loss settlement expenses, or the extent to which inflation may impact such expenses, are known. Consequently, the Company attempts, in establishing rates, to anticipate the potential impact of inflation.

Impact of New Accounting Standards

Insurance Related Assessments

In December 1997, the AICPA Accounting Standards Executive Committee issued Statement of Position (SOP) 97-3, Accounting by Insurance and Other Enterprises for Insurance-Related Assessments. The accounting guidance of this SOP focuses on the timing of recognition and measurement of liabilities for insurance-related assessments. The SOP is effective for fiscal years beginning after December 15, 1998. The Company believes that they are in compliance with the provisions of this SOP and no impact on the Company's financial reporting is expected.

Computer Software Development Costs

On March 4, 1998, the AICPA Accounting Standards Executive Committee issued Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. This SOP requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software. This SOP also requires that costs related to the preliminary project stage and the post-implementation/operations stage in an internal-use computer software development project be expensed as incurred. SOP 98-1 is effective for financial statements issued for fiscal years beginning after December 15, 1998. The Company believes that they are in compliance with the provisions of this SOP and no material impact of the Company's financial reporting is expected.

Part II. Other Information

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

Amendment of Certificate of Incorporation
Exhibit 3(i)

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

Annual Stockholders meeting held April 16, 1998
Directors elected at meeting

Thomas J. Finley, Jr.

Votes for	5,241,462
Votes withheld	150,417

R. Richard Sherbahn

Votes for	5,242,226
Votes withheld	149,653

Directors Continuing
- Robert S. Bolinger
- Patricia A. Gilmartin
- Philip H. Glatfelter
- C. Edwin Ireland
- Donald H. Nikolaus

Authorized Shares of Common Stock
Increased from 10,000,000 to 15,000,000

Votes for	5,358,934
Votes against	28,348
Abstained	4,597

Amendment approved to increase Common Shares available in the 1996 Equity Incentive Plan for Directors from 119,600 shares to 200,000 shares.

Votes for	5,179,351
Votes against	195,182
Abstained	4,532
Non-votes	12,814

Approve KPMG Peat Marwick LLP as Auditors for 1998.

Votes for	5,361,789
Votes against	23,933
Abstained	6,157

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) EX-27 Financial Data Schedule
(b) Reports on Form 8-K
During the quarter ended March 31, 1998 - None

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, thereunto duly authorized.

Donegal Group Inc.

Date: March 13, 1998

By: ----------------------------

Donald H. Nikolaus,
President and
Chief Executive Officer

Date: March 13, 1998

By: ----------------------------

Ralph G. Spontak,
Corporate Secretary,
Senior Vice President and
Chief Financial Officer

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CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

OF

DONEGAL GROUP INC.

UNDER SECTION 242 OF THE GENERAL CORPORATION
LAW OF THE STATE OF DELAWARE

Donegal Group Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY THAT:

FIRST: The Board of Directors of Donegal Group Inc. (the "Corporation"), at a meeting of the Board of Directors held on March 16, 1998 pursuant to notice duly given, duly adopted the following resolution setting forth a proposed amendment of the Certificate of Incorporation of the Corporation, declaring such amendment to be advisable and calling for a meeting of the stockholders of said Corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

> RESOLVED, that Article 4(a) of the Certificate of Incorporation of Donegal Group Inc. is hereby amended and restated to provide in full as follows:
>
> > "4.(a) The aggregate number of shares which the Corporation shall have authority to issue is: Fifteen Million shares of Common Stock of the par value of One Dollar ($1.00) per share (the "Common Stock") and One Million shares of Series Preferred Stock of the par value of One Dollar ($1.00) per share (the "Preferred Stock")."

SECOND: Thereafter, pursuant to a resolution of the Board of Directors, at the annual meeting of the stockholders of the Corporation held on April 16, 1998, the holders of a majority of the outstanding shares entitled to vote thereon voted in favor of the approval and adoption of the amendment.

THIRD: Such amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Corporation has caused this Certificate of Amendment to be signed by Donegal H. Nikolaus, its President and Chief Executive Officer, and Ralph G. Spontak, its Senior Vice President, Chief Financial Officer and Secretary, this 20th day of April, 1998.

(SEAL) DONEGAL GROUP INC.

By:______________________________
Donald H. Nikolaus
President and Chief Executive Officer

ATTEST:

By:______________________________
Ralph G. Spontak,
Senior Vice President,
Chief Financial Officer and Secretary

CERTIFICATE OF INCORPORATION

OF

DONEGAL GROUP INC.

1. The name of the Corporation is Donegal Group Inc.

2. The address of its registered office is 1220 Market Street Building, Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is Wilmington Corporate Services, Inc.

3. The nature of the business to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

4. (a) The aggregate number of shares which the Corporation shall have authority to issue is: Ten Million (10,000,000) shares of Common Stock of the par value of One Dollar ($1.00) per share (the "Common Stock") and One Million (1,000,000) shares of Series Preferred Stock of the par value of One Dollar ($1.00) per share (the "Preferred Stock").

   (b) The Preferred Stock may be issued from time to time by the Board of Directors as herein provided in one or more series. The designations, relative rights, preferences and limitations of the Preferred Stock, and particularly of the shares of each series thereof, may, to the extent permitted by law, be similar to or may differ from those of any other series. The Board of Directors of the Corporation is hereby expressly granted authority, subject to the provisions of this Article Four, to issue from time to time Preferred Stock in one or more series and to fix from time to time before issuance thereof, by filing a certificate pursuant to the General Corporation Law, the number of shares in each such series and all designations, relative rights (including the right, to the extent permitted by law, to convert into shares of any class or into shares of any series of any class), preferences and limitations of the shares in each such series, including, but without limiting the generality of the foregoing, the following:

(i) The number of shares to constitute such series (which number may at any time, or from time to time, be increased or decreased by the Board of Directors, notwithstanding that shares of the series may be outstanding at the time of such increase or decrease, unless the Board of Directors shall have otherwise provided in creating such series) and the distinctive designation thereof;

(ii) The dividend rate on the shares of such series, whether or not dividends on the shares of such series shall be cumulative and the date or dates, if any, from which dividends thereon shall be cumulative;

(iii) Whether or not the shares of such series shall be redeemable, and, if redeemable, the date or dates upon or after which they shall be redeemable and the amount or amounts per share (which shall be, in the case of each share, not less than its preference upon involuntary liquidation, plus an amount equal to all dividends thereon accrued and unpaid, whether or not earned or declared) payable thereon in the case of the redemption thereof, which amount may vary at different redemption dates or otherwise as permitted by law;

(iv) The right, if any, of holders of shares of such series to convert the same into, or exchange the same for, Common Stock or other stock as permitted by law, and the terms and conditions of such conversion or exchange, as well as provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(v) The amount per share payable on the shares of such series upon the voluntary and involuntary liquidation, dissolution or winding up of the Corporation;

(vi) Whether the holders of shares of such series shall have voting power, full or limited, in addition to the voting powers provided by law, and, in case additional voting powers are accorded, to fix the extent thereof; and

(vii) Generally to fix the other rights and privileges and any qualifications, limitations or restrictions of such rights and privileges of such series, provided, however, that no such rights, privileges, qualifications, limitations or restrictions shall be in conflict with the Certificate of Incorporation of the Corporation or with the resolution or resolutions adopted by the Board of Directors providing for the issue of any series of which there are shares then outstanding.

(c) All shares of Preferred Stock of the same Series shall be identical in all respects, except that shares of any one series issued at different times may differ as to the dates, if any, from which dividends thereon may accumulate. All shares of Preferred Stock of all series shall be of equal rank and shall be identical in all respects, except that to the extent not otherwise limited in this Article Four any series may differ from any other series with respect to any one or more of the designations, relative rights, preferences and limitations described or referred to in subparagraphs (b) (i) to (vii) inclusive of this Article Four.

(d) Dividends on the outstanding Preferred Stock of each series shall be declared and paid or set apart for payment before any dividends shall be declared and paid or set apart for payment on the Common Stock with respect to the same quarterly dividend period. Dividends on any shares of Preferred Stock shall be cumulative only if and to the extent set forth in a certificate filed pursuant to law. After dividends on all shares of Preferred Stock (including cumulative dividends if and to the extent any such shares shall be entitled thereto) shall have been declared and paid or set apart for payment with respect to any quarterly dividend period, then and not otherwise as long as any shares of Preferred Stock shall remain outstanding, dividends may be declared and paid or set apart for payment with respect to the same quarterly dividend period on the Common Stock out of the assets or funds of the Corporation legally available therefor.

(e) All shares of Preferred Stock of all series shall be of equal rank, preference and priority as to dividends irrespective of whether or not the rates of dividends to which the particular series of Preferred Stock shall be entitled shall be the same and when the stated dividends are not paid in full, the shares of all series of Preferred Stock shall share ratably in the payment thereof in accordance with the sums which would be payable on such shares if all dividends were paid in full, provided, however, that any two or more series of Preferred Stock may differ from each other as to the existence and extent of the right to cumulative dividends, as aforesaid.

(f) Except as otherwise specifically provided in the certificate filed pursuant to law with respect to any series of Preferred Stock or as otherwise provided by law, the Preferred Stock shall not have any right to vote for the election of directors or for any other purpose and the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes. Each holder of Common Stock shall be entitled to one vote for each share thereof held. In all instances in which voting rights are granted to Preferred Stock or any series thereof, such Preferred Stock or series shall vote with the Common Stock as a single class, except with respect to any vote for the approval of any merger, consolidation, liquidation or dissolution of the Corporation and except as otherwise provided in the certificate filed pursuant to law with respect to any series of Preferred Stock or as otherwise provided by law.

(g) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, each series of Preferred Stock shall have preference and priority over the Common Stock for payment of the amount to which each outstanding series of Preferred Stock shall be entitled in accordance with the provisions thereof and each holder of Preferred Stock shall be entitled to be paid in full such amount, or have a sum sufficient for the payment in full set aside, before any payments shall be made to the holders of the Common Stock. If, upon liquidation, dissolution or winding up of the Corporation, the assets of the Corporation or the proceeds thereof, distributable among the holders of the shares of all series of Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed among such holders ratably in accordance with the respective amounts which would be payable if all amounts payable thereon were paid in full. After the holders of the Preferred Stock of each series shall have been paid in full the amounts to which they respectively shall be entitled, or a sum sufficient for the payment in full set aside, the remaining net assets of the Corporation shall be distributed pro rata to the holders of the Common Stock in accordance with their respective rights and interests, to the exclusion of the holders of Preferred Stock. A consolidation or merger of the Corporation with or into another corporation or corporations, or a sale, whether for cash, shares of stock, securities or properties, of all or substantially all of the assets of the Corporation, shall not be deemed or construed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Article Four.

(h) In the event that Preferred Stock of any series shall be made redeemable as provided in subparagraph (b)(iii) of this Article Four, the Corporation, at the option of the Board of Directors, may redeem at any time or times, and from time to time, all or any part of any one or more series of Preferred Stock outstanding by paying for each share the then applicable redemption price fixed by the Board of Directors as provided herein, plus an amount equal to accrued and unpaid dividends to the date fixed for redemption, upon such notice and terms as may be specifically provided in the certificate filed pursuant to law with respect to such series of Preferred Stock.

5. The Corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in

connection with such action, suit or proceeding if he acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceedings, had no reasonable cause to believe his conduct was unlawful. The termination of any action, upon a plea of nolo contendere or equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

6. The directors of the Corporation shall incur no personal liability to the Corporation or its stockholders for monetary damages for any breach of the fiduciary duty as a director; provided, however, that the directors of the Corporation shall continue to be subject to liability (i) for any breach of their duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the directors derived an improper benefit.

7. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, the number of members of which shall be set forth in the By-laws of the Corporation. The Directors need not be elected by ballot unless required by the By-laws of the Corporation.

8. In the furtherance and not in limitation of the objects, purposes and powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to made, amend and repeal the By-laws, to fix the amount to be reserved as working capital, and to authorize and cause to be executed mortgages and liens without limit as to the amount, upon the property and franchise of this corporation.

9. The Corporation is to have perpetual existence.

10. Meetings of the stockholders may be held within or without the State of Delaware, as the By-laws may provide. The books of the

Corporation may be kept, subject to any provisions contained in the statutes, outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-laws of the Corporation. Elections of directors need not be by written ballot unless the By-laws of the Corporation shall so provide.

11. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

12. The name and address of the Incorporator is John L. Olsen, Esquire, c/o Duane, Morris & Heckscher, 1220 Market Street Building, P.O. Box 195, Wilmington, Delaware 19899.

13. The powers of Incorporator shall terminate upon the election of directors.

I, THE UNDERSIGNED, being the Incorporator, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate of Incorporation, and do hereby certify that this is my act and deed and the facts herein stated are true; and accordingly, have hereunto set my hand and seal this 26th day of August, 1986.

____________________________(SEAL)
John L. Olsen, Incorporator