

**BY-LAWS
OF
LINCOLN MUTUAL INSURANCE COMPANY**

**ARTICLE I.
Meetings of Members**

Section 1. Annual Meeting. The annual meeting of members of Lincoln Mutual Insurance Company (hereafter, the "Company") shall be held on the second Wednesday in March at 1:00 p.m. at the home office of the Branch located at 227 East Main Street, Lincolnton, NC 28092, or at such other place as the Board of Directors may determine. Written notice of the time and place of said meeting shall be given by the Secretary to each member, which notice shall be mailed to his post office address as the same appears on the books of this Company not less than ten days prior to the date of said meeting, or notice may be given each policyholder member by imprinting upon the back of each policy receipt or certificate of renewal a notice of the date of the annual meeting at its home office on the second Wednesday in March of each year. Also, notice of the annual meeting shall be published in the local newspaper on the two Wednesdays prior to the annual meeting. All meetings shall be conducted pursuant to Robert's Rules of Order.

Section 2. Special Meetings. Special meetings of the members may be called at the time by order of the President, who shall call a special meeting whenever thirty percent (30%) or more of the members, or a majority of the Directors, shall so request in writing. Notice of special meetings shall be given at least ten (10) days before such meeting, and shall state the nature of the business to be transacted thereat.

Section 3. Voting Rights. Each policyholder of the Company shall be entitled to cast one vote for each policy that person holds, in person, or by proxy appointed by instrument in writing and notarized, dated and executed within one year after receipt, and returned and recorded on the books of the company three days or more before the meeting at which it is to be used.

Section 4. Quorum. A quorum shall be constituted by any members who attend in person or by proxy. A majority vote of the quorum present, whether in person or by proxy, at any meeting of the members, shall govern any proceeding unless a different or greater vote shall be required by law or by other provisions of these By-Laws.

**ARTICLE II.
Board of Directors**

Section 1. The management of the Company and the conduct of its affairs shall be vested in the Board of Directors, consisting of not more than ten (10) or less than seven (7) members. The newly-elected Board of Directors shall elect a chairman from the Board to preside over all meetings of said Board of Directors. Said Board shall also elect an executive committee consisting of three members to act on matters pertaining to everyday operations in lieu of a specially-called meeting of said Board. The Directors

shall be elected from the membership of the Company in good standing at the time of the election.

Section 2. Term of Directors. The members of the Company at its annual meeting shall elect a Board of Directors, consisting of Directors elected for three-year terms, which terms shall be staggered so that the terms of approximately one-third of the Board shall expire each year.

Section 3. Vacancies. The Board of Directors shall have the power to fill vacancies on the Board that may occur from time to time by reason of death, resignation, retirement, removal or disqualification of a director during his elected term of office, who shall serve until the next annual meeting of the Company.

Section 4. General Powers and Duties. The Board of Directors shall have the general control of the business and affairs of the Company, and shall have and exercise all powers vested in directors of mutual insurance companies, which are consistent with the Articles of Incorporation and the General Statutes of North Carolina, or which by these bylaws are not otherwise required to be exercised.

Section 5. Meetings. The Board of Directors shall hold a regular annual meeting at the same place as, and immediately following the adjournment of, the annual meeting of the members of the Company. Special meetings of the Board may be held at the call of the President or upon written request of a majority of the members of the Board, but at least five (5) days actual written notice of the time and place of each meeting of the Board shall be given a member thereof. Board members may waive notice in writing. All meetings shall be conducted pursuant to Robert's Rules of Order.

Section 6. Quorum. A majority of the Board of Directors shall constitute a quorum for the transactions of business.

ARTICLE III.

Officers

Section 1. Officers. The Officers of the Company shall consist of a President, a Vice-President, a Secretary and Treasurer and two assistant Secretaries and Treasurers and such other officers as the Board of Directors may, from time to time, elect. The President and Vice-President must be chosen from the Board of Directors.

Section 2. Time of Elections. The above-named officers shall be elected by the Directors at their annual meeting to be held immediately after the annual meeting of the members. Each officer shall hold office for one year, or until their successors are elected and qualified. Any vacancy among the officers may be filled by the Board of Directors.

Section 3. President. It shall be the duty of the President to preside at all annual meetings of the Company and to generally supervise the affairs of the Company subject to such regulations and restrictions as the Board of Directors shall, from time to time,

determine, and he shall perform such other duties as are usually incumbent upon and incident to such office. He shall sign all papers required by law to bear his signature, or to which the seal of the Company is affixed (including all policies of insurance, but his signature thereto may be a facsimile).

Section 4. Vice-President. In the absence or disability of the President, the Vice-President shall perform all the duties of the President insofar as permitted by law, and shall perform such other acts and duties as may be specified or required by the Board of Directors.

Section 5. Secretary. The secretary shall keep a detailed and legible record of the proceedings of all meetings of the members and the Board of Directors and attest the same by his signature; keep a detailed, legible and correct record of the members and of the Board of Directors and their respective terms of office, and have said records available at all regular and special meetings of the members and the Board of Directors; sign, with the President, all documents requiring his signature or attestation, all of which shall be kept at the home office unless otherwise authorized by the Board of Directors; issue notices of meetings as required by these bylaws; represent the Company as a member of any Board of Directors in which the Company holds an interest; and perform such other secretarial duties as may be required from time to time by the Board of Directors.

Section 6. Treasurer. The Treasurer shall receive and disburse all funds of the Company, shall keep or cause to be kept a complete record of all financial transactions of the Company; shall keep or cause to be kept all monies of the Company in such other depositories as the Board of Directors shall, from time to time, specify, but no corporate funds shall be disbursed except by voucher checks, and then only in such manner and on such forms as the Board of Directors shall specify. All disbursements and receipts of the Company shall be subject to review by the Board of Directors. The Treasurer shall render a statement of accounts to the Board of Directors at any meeting of the Board if requested to do so by the Board of Directors. He shall do and perform such other duties pertaining to his office as Treasurer as the Board of Directors may, from time to time, prescribe.

ARTICLE IV.

Insurance

Section 1. Form of Policies. All policies of insurance issued by the Company shall be approved by the North Carolina Department of Insurance.

Section 2. Assessment. The contingent liability for the Company's members is limited to one annual premium within a policy year.

Section 3. The Company, through its Secretary-Treasurer, shall mail by regular United States Mail a notice of the assessment levied after an annual meeting as provided

further herein. The time for collection of said assessment so levied shall be stated on the notice.

Section 4. Any member failing to pay his assessment on the date specified on the notice shall forfeit all rights, claims and privileges in the Company, and his policy by such failure shall be canceled without any further notice and his policy shall be forfeited and his insurance terminated as of the date shown on the notice. Any member forfeiting his policy as herein provided may be reinstated under the provisions adopted by the Board of Directors of this Company. Provided, however, the Company shall incur no liability under the forfeited policy unless and until the member reinstates his policy by payment of the assessment.

ARTICLE V.
Fiscal Year

The fiscal year of the Company shall commence on January 1 of each year and end of December 31st of the year.

ARTICLE VI.
Corporate Seal

The corporate seal of the Company shall be a disc, the outside edge of which shall bear the inscription, "Lincoln Mutual Insurance Company."

ARTICLE VII.
Dissolution

Whenever the members of the Company by resolution adopted at the regular meeting or special meeting called for that purpose shall determine to wind up and liquidate the business of the Company, the assets thereof shall be applied (1) to the payment of the expenses of liquidation; (2) to the payment of any accrued liability, including losses, if any; (3) to the payment of any other obligations for which the Company may be legally liable and responsible and (4) the residue shall be distributed to the policyholders of the Company who were such at the time of the adoption of the resolution in the proportion which the face amount of the insurance carried by each policyholder then bore to the total amount of insurance then in force. Prior to the dissolution of the Company, the Company's Board, and subsequently, the policyholders, will vote upon a Plan of Dissolution presented to them. Upon approval by the Board and the policyholders, the Plan of Dissolution will be filed with the North Carolina Commissioner of Insurance pursuant to G.S. §58-7-73 for approval. The Company will proceed with the dissolution only after the Commissioner approves the plan.

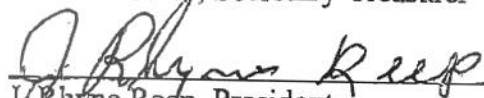
ARTICLE VIII.
Amendments

Section 1. The bylaws may be altered, amended, added to, rescinded or repealed, and new bylaws may be adopted, by the affirmative vote of a majority of the Directors then holding office at any regular or special meeting of the Board of Directors and in compliance with all of the General Statutes of North Carolina.



(SEAL)

C. Gene Gates, Secretary-Treasurer



(SEAL)

J. Rhyne Reep, President