

NORTH CAROLINA

WAKE COUNTY

IN THE GENERAL COURT OF JUSTICE
 SUPERIOR COURT DIVISION
 18 CVS 14480

FILED

MIKE CAUSEY,
 COMMISSIONER OF INSURANCE
 OF NORTH CAROLINA,

Petitioner,

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 WAKE COUNTY, C.S.C.
)
 BY *JH*
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REHABILITATOR'S
 QUARTERLY REPORT

NORTH CAROLINA MUTUAL
 LIFE INSURANCE COMPANY,
 A North Carolina Domiciled
 Insurance Company,

Respondent.

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NOW COMES the Commissioner of Insurance of North Carolina and Rehabilitator of North Carolina Mutual Life Insurance Company (Rehabilitator), and hereby makes this report pursuant to North Carolina General Statute § 58-30-80(b) and the Order of this Court dated December 3, 2018, which requires the Rehabilitator, until further order of this Court, to make a quarterly report to the Court including a statement of receipts and disbursements to date and a statement of financial position (balance sheet). Attached hereto and incorporated herein by reference as Exhibit A, is the quarterly report of activity of the Rehabilitator as of June 30, 2021, and a balance sheet, summary of operations and statement of cash flow as of June 30, 2021, of North Carolina Mutual Life Insurance Company, as prepared by the Special Deputy Rehabilitator on behalf of the Rehabilitator.

This the 23 day of August, 2021.

JOSH STEIN
 ATTORNEY GENERAL
 Attorney for Petitioner,

Heather H. Freeman

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CERTIFICATE OF SERVICE

I, the undersigned attorney, do certify that a copy of the foregoing pleading or paper was served as follows:

Honorable A. Graham Shirley, II
Wake County Superior Court
Post Office Box 351
Raleigh, NC 27602-0351

M. Keith Kapp
Williams Mullen
P.O. Box 1000
Raleigh, NC 27602

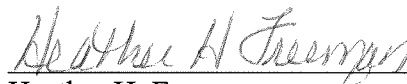
in the following manner:

(xx) by United States mail, first class postage prepaid, as provided by Rule 5(b) of the North Carolina Rules of Civil Procedure, or

() by facsimile transmission to the facsimile number set out above, as provided by Rule 5 of the North Carolina Rules of Civil Procedure.

This the 23 day of August, 2021.

JOSH STEIN
ATTORNEY GENERAL
Attorney for Petitioner,



Heather H. Freeman
Assistant Attorney General
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NORTH CAROLINA MUTUAL LIFE INSURANCE COMPANY
NORTH CAROLINA COMMISSIONER OF INSURANCE AS REHABILITATOR
AS OF AUGUST 13, 2021,
A BALANCE SHEET
AS OF JUNE 30, 2021
AND
A SUMMARY OF OPERATIONS AND STATEMENT OF CASH FLOW
THROUGH JUNE 30, 2021

INTRODUCTION

BACKGROUND

North Carolina Mutual Life Insurance Company (hereinafter, “NC Mutual” or “Company”) was originally chartered under the laws of the State of North Carolina as a mutual assessment company on February 28, 1899, with the name North Carolina Mutual and Provident Association. An amendment to the charter was filed at the office of the Secretary of State of North Carolina on August 6, 1913, establishing the Association as a legal reserve company. In 1919, the Company’s name was changed to North Carolina Mutual Life Insurance Company. On December 3, 2018, the Wake County Superior Court (hereinafter, the “Court”) issued an Order of Rehabilitation (hereinafter, “Order”) against NC Mutual and appointed the Commissioner of Insurance for the State of North Carolina as Rehabilitator (hereinafter, the “Rehabilitator”). On December 3, 2018, the Court also issued a Confidentiality Order to ensure the confidentiality of the Rehabilitation proceeding and to seal the court file pursuant to N.C. Gen. Stat. §§ 58-30-20 and 58-30-70. On February 1, 2019, the Court issued an Order to Rescind Confidentiality Order and Unseal the Court File. In addition, on February 1, 2019, the Court entered an Order Granting Motion for Moratorium on Policy Surrenders and Other Relief (hereinafter “Moratorium”). On January 21, 2020, the Court issued an Order Amending Order of Rehabilitation changing the Rehabilitator’s reporting requirements to the Court from monthly to quarterly.

PURPOSE OF THIS REPORT

The purpose of this report is to provide an update to the Court, as required by the Order, on the work that the Rehabilitator and his staff have carried out since the issuance of the Order, to set out the present situation of NC Mutual, and to provide a balance sheet as of June 30, 2021, and a summary of operations and statement of cash flow through June 30, 2021.

LIMITATIONS

This report is based only on the knowledge that the Rehabilitator and his staff have gained from the work performed since the issuance of the Order. Facts may exist that the Rehabilitator is unaware of that may have a material effect on the information provided in this report. The Rehabilitator will update the information in future reports as additional facts are discovered.

SUMMARY

NC MUTUAL PROPERTY

- In accordance with the Order, the Rehabilitator has taken possession of all known assets and property of NC Mutual.
- The Rehabilitator completed the sale of certain assets of its wholly owned subsidiary, North Carolina Mutual Financial, LLC (“NCMF”), on June 17, 2019. NC Mutual received approximately \$4 million of cash from the sale of such assets and transfer of NCMF’s retained assets.
- The Rehabilitator discontinued the operations of NC Mutual’s other wholly owned subsidiary, North Carolina Mutual Insurance Agency, LLC. The Rehabilitator successfully negotiated settlements with North Carolina Mutual Insurance Agency’s creditors and made a pro rata distribution of the remaining assets.
- In 2019 the Rehabilitator received two unsolicited offers to purchase a portion of NC Mutual’s mortgage loan portfolio. The Rehabilitator determined that acceptance of the offers was not in the best interest of NC Mutual. The Rehabilitator will continue to evaluate options for the disposition of NC Mutual’s mortgage loans.

- On December 16, 2020, the Rehabilitator sold 186,040 shares of M&F Bancorp, Inc. common stock for \$617,652.80.
- The Rehabilitator continues evaluating real property held for sale by NC Mutual to determine the appropriate disposition of these assets. One property had a structure that was condemned, and the Rehabilitator donated the structure to the local fire department to use for training purposes. A controlled burn took place on December 12, 2020, with at least 10 fire departments participating. The sale of the property closed May 3, 2021, with total proceeds received of \$45,531.
- The Rehabilitator received an offer to novate NC Mutual's Cancer and Dread Disease Medical Insurance Coverage book of business. The Rehabilitator worked to finalize agreements and obtain regulatory approvals necessary to complete the transaction. However, it was determined that the transaction could not be completed in a cost-effective manner for both parties that would meet all requirements to obtain approvals. As a result, this transaction will not be completed, and the book of business will be allowed to expire.
- The Rehabilitator is currently evaluating NC Mutual's remaining in-force business and reinsurance programs in furtherance of determining the feasibility of a successful rehabilitation.
- The Rehabilitator has entered into twenty non-disclosure agreements with parties that have expressed a potential interest in making an investment in NC Mutual and has provided requested due diligence materials related thereto. The Rehabilitator continues to have ongoing discussions with interested parties.
- The Rehabilitator has been made aware of a pending unclaimed property audit involving thirty-one (31) state Departments of Revenue. At the Rehabilitator's request, Verus Analytics, LLC (the appointed auditor) and the North Carolina Department of Revenue have agreed to suspend the audit.

EXPENSE REDUCTIONS

- The Rehabilitator has evaluated all of NC Mutual's contracts to identify those that are essential for ongoing operations. As part of this effort, the Rehabilitator has and continues to negotiate more favorable terms of essential contracts as they are up for renewal.
- The Rehabilitator has canceled unnecessary services such as cell phones issued to staff of NC Mutual.
- NC Mutual's staff was reduced by nine positions in early 2019, resulting in an annualized savings of approximately \$1,200,000 in salaries and benefits. The Rehabilitator has also terminated non-essential independent contractors. Through May 1, 2021, current staffing remains at 18 employees. As claims and policy servicing staff have retired, positions have been backfilled as necessary to ensure policyholder needs are met.
- The Rehabilitator has terminated NC Mutual's annual statutory financial audit as financial statements prepared during the Rehabilitation proceeding will be prepared under the supervision of the Rehabilitator's staff. Termination of the audit will result in an annual expense reduction of approximately \$173,000. Batchelor Tillery & Roberts, LLP has been engaged to conduct the audits of cash receipts and disbursements. The audit for the period of December 3, 2018 through December 31, 2020 is currently in process.
- The Rehabilitator has replaced certain IT equipment of NC Mutual resulting in an annualized expense reduction of approximately \$70,000.
- On October 7, 2020, the Rehabilitator filed a Motion for Approval to Reject and Disavow ("Motion") the unexpired lease agreement for office space used by NC Mutual. On or about October 10, 2020, the Rehabilitator received notice that the office space property was under new ownership. Following such notice, the Rehabilitator entered into negotiations with the

new landlord and on January 28, 2021, the Rehabilitator entered into an amendment to the existing lease whereby NC Mutual has relocated from the 12th floor to the 3rd floor of the building. Following relocation to the 3rd floor, NC Mutual's monthly lease expense was reduced by approximately \$28,000 per month. As a result of the negotiations, the October 7, 2020 Motion was withdrawn.

- The Rehabilitator has adjusted current services provided by NC Mutual's appointed actuary resulting in annualized expense reduction of approximately \$42,000.

LITIGATION

To the Rehabilitator's knowledge, at the time of the Order and through June 30, 2021, NC Mutual was a party to the following lawsuits:

North Carolina Mutual Life Insurance Company v. Stamford Brook Capital, LLC, et al., Civil Action No. 1:16-cv-1174; United States District Court for the Middle District of North Carolina, Durham Division

This complaint was filed on September 23, 2016, to recover \$34 million of assets improperly transferred to and through the named defendants. An amended complaint was filed on August 8, 2018, adding additional causes of action including breach of fiduciary duty, breach of contract, fraud, RICO Act violations, unfair and deceptive trade practices, civil conspiracy, conversion, unjust enrichment and other similar causes of action.

NC Mutual has obtained entries of default against five corporate defendants and one individual defendant.

Defendant Reifler, who is appearing *pro se*, answered NC Mutual's complaint and brought counterclaims and a third-party complaint against NC Mutual, Michael Lawrence and James Speed. NC Mutual and Lawrence filed Motions to Dismiss the counterclaims and third-party claims for failure to state a claim pursuant to Rule 12(b)(6). Reifler responded to Lawrence's Motion to Dismiss on December 27, 2018, and Lawrence's response was due January 10, 2019. On or about January 4, 2019, Defendant Wasitowski filed a Motion to Dismiss and Or To Transfer Venue. On January 7, 2019, Lawrence filed a Reply in Support of Motion to Dismiss. On January 28, 2019, Defendant Reifler filed a Motion for Entry of Default against Third-Party Defendant James Speed. On January 28, 2019, the Clerk of Court entered an Entry of Default against Speed. On January 31, 2019, Speed filed a Motion to Vacate the Entry of Default and Motion to Dismiss. On January 31, 2019, Plaintiff filed a Response in Opposition to Defendant Wasitowski's Motion to Dismiss and Or To Transfer Venue. On February 14, 2019, Defendant Wasitowski filed a Reply Memorandum of Law in Support of His Motion to Dismiss and Or, In the Alternative, To Transfer Venue. On March 15, 2019, Plaintiffs filed a Voluntary Dismissal without Prejudice as to Defendant Summit Trust Co. On or about June 12, 2019, Reifler filed a Motion for Leave to File Amended Counterclaim and Third-party Complaint, a Memorandum of Law in support of his Motion for Leave, and a Notice of Change of Address. On July 8, 2019, NC Mutual and Michael Lawrence filed their Responses in Opposition to Reifler's Motion for Leave to File Amended Counterclaim and Third-party Complaint. On July 22, 2019, Reifler filed his Reply to NC Mutual's and Michael Lawrence's Responses in Opposition to Reifler's Motion for Leave to File Amended Counterclaim and Third-party Complaint. On July 24, 2019, the motion, responses and replies were submitted to the judge's chambers. On September 27, 2019, the United States District Court for the Middle District of North Carolina Durham Division granted NC Mutual's Motion to Dismiss Defendant Reifler's counterclaims, denied Defendant

Wasitowski's Motion to Dismiss and or to Transfer Venue, granted Lawrence's Motion to Dismiss Third-party Complaint, granted Speed's Motion to Dismiss Third-party Complaint, vacated the default judgment against Speed, and denied Defendant Reifler's Motion to File Amended Counterclaims against NC Mutual and Amended Third-party Claims against Lawrence and Speed. Defendant Wasitowski was required to answer NC Mutual's Amended Complaint on or before October 11, 2019 following the Court's denial of his Motion to Dismiss and or To Transfer Venue. On October 11, 2019, Wasitowski filed an Answer to NC Mutual's Amended Complaint. On October 24, 2019, the Clerk entered an order requiring the parties to hold their rule 26(f) planning conference on or before November 28, 2019, and setting the initial pretrial conference for December 12, 2019. On November 11, 2019, the parties filed a Joint Rule 26(f) Report and Plan with the Court. On December 2, 2019, the Court entered an order adopting the parties' Joint Rule 26(f) Report, requiring the parties to submit the name of an agreed-upon mediator on or before December 27, 2019, and ordering that mediation be completed midway through the discovery period. On December 2, 2019, Defendant Port Royal filed a Motion to Compel Arbitration seeking to have NC Mutual's claims against it resolved in private arbitration. NC Mutual sought and received an extension for the time to file its response to Port Royal's Motion to Compel Arbitration. NC Mutual filed a response to Port Royal's Motion to Compel Arbitration on January 22, 2020. On April 10, 2020, the Court granted Port Royal's Motion to Compel Arbitration and stayed the current action as to Port Royal only. In accordance with the Court's December 27, 2019 order, NC Mutual mediated its claims against defendants Reifler and Wasitowski on May 8, 2020. The mediation did not result in a settlement. NC Mutual filed a Motion to Extend Discovery Deadlines in the action on May 28, 2020, which was supplemented on May 28, 2020. The Motion was referred to the Court on June 3, 2020, and granted on June 4, 2020. On July 8, 2020, NC Mutual filed a Motion for Protective Order to govern disclosure of certain confidential material. The Motion for Protective Order was entered on August 13, 2020. On July 17, 2020, NC Mutual filed a Second Motion to Extend Discovery Deadlines, which was granted on July 27, 2020. On August 26, 2020, the Court set a tentative trial date of July 6, 2021. On September 22, 2020, NC Mutual filed a Motion to Compel discovery from Reifler, to which he responded on October 5, 2020, and NC Mutual filed its reply on October 13, 2020.

On October 8, 2020, Reifler filed a Motion to Dismiss the claims against him and on October 15, 2020, filed a Motion to Quash Depositions. NC Mutual responded in opposition to the Motion to Quash Depositions on October 21, 2020. On October 27, 2020, NC Mutual filed a Third Motion to Extend Discovery Deadlines. On November 4, 2020, Reifler filed another Motion to Compel Discovery Responses from NC Mutual, to which NC Mutual filed its response in opposition on November 18, 2020. On November 16, 2020, the Court granted NC Mutual's Motion to Compel, denied Reifler's Motion to Quash Depositions, granted NC Mutual's Motion to Extend Time to Respond to Reifler's Motion to Dismiss, and granted NC Mutual's motion to extend discovery deadlines. On November 25, 2020, Reifler filed a Motion for Reconsideration, asking the Court to reconsider its decision to deny his Motion to Quash Depositions. On November 30, 2020, NC Mutual filed its response in opposition to Reifler's motion to dismiss and on December 11, 2020, Reifler filed his reply. Reifler's motion to dismiss remains pending. On December 3, 2020, Reifler filed an Emergency Motion to Stay Depositions while his Motion for Reconsideration is pending, to which NC Mutual filed its response in opposition on December 11, 2020. On December 4, 2020, NC Mutual filed its response in opposition to Reifler's Motion for Reconsideration. On December 4, 2020, NC Mutual filed its Fourth Motion to Extend Discovery Deadlines. On December 16, 2020, the Court denied Reifler's Motion to Compel, Motion for Reconsideration, and Emergency Motion to Stay, and granted NC Mutual's Fourth Motion to Extend Discovery Deadlines. Pursuant to the Court's December 16, 2020 Order, discovery is to be completed by February 5, 2021 and the trial was set for October 4, 2021.

On December 1, 2020, Reifler was indicted by a grand jury in the Middle District of North Carolina for four counts of wire fraud and one count of perjury in case number 1:20-CR-512-1. The indictment alleges, among other things, that Reifler developed a scheme to defraud NC Mutual¹ to divert its' assets for his personal use and benefit. The indictment further alleges that Reifler perjured himself by submitting a declaration in this litigation² that was false. On January 7, 2021, NC Mutual filed a Motion to Stay this action following Reifler's felony indictment for related criminal conduct. Reifler responded on January 25, 2021, to which NC Mutual replied on January 27, 2021. The Motion to Stay was denied on April 30, 2021. On March 5, 2021, NC Mutual filed a motion for extension of time to complete discovery and file dispositive motion while the motion to stay was pending. The Court denied the motion for extension of time on March 12, 2021.

On July 6, 2021, NC Mutual filed a motion for sanctions related to Reifler's spoliation of certain evidence. Reifler responded in opposition on July 28, 2021. On July 19, 2021, NC Mutual filed a second motion for sanctions related to Reifler's failure to comply with certain discovery requirements. Both motions remain pending. Trial is set to commence on October 4, 2021.

Settlement Agreement with Joel Schreiber

On October 17, 2018, NC Mutual entered into a settlement agreement with Joel Schreiber regarding the repayment of loans made to Schreiber and/or various entities owned by Schreiber from NC Mutual assets improperly transferred through the named defendants in this action. The amount of repayment required by the settlement agreement totaled \$3,215,018.00, to be paid in full by February 12, 2019, with a late payment penalty of \$5,000.00 for failure to pay in full for each day that elapses beyond the initial payment due date. On February 28, 2019, the parties executed an amendment to the October 17, 2018 settlement agreement to extend the initial payment date to April 13, 2019, with consideration of a payment of \$1,000,000.00 in partial satisfaction of the full settlement amount and an increase in the late payment penalty to \$10,000.00. A \$1,000,000.00 payment was made by Schreiber on February 12, 2019. On March 16, 2019, NC Mutual and Schreiber entered into a second amendment to the October 17, 2018 settlement agreement to extend the initial payment date to May 25, 2019, with consideration of a payment of \$250,000.00 in partial satisfaction of the full settlement amount and an increase in the late payment penalty to \$15,000.00. A \$250,000.00 payment was made by Schreiber on March 18, 2019. On May 13, 2019, NC Mutual and Schreiber entered into a third amendment to the October 17, 2018 settlement agreement whereby Schreiber agreed to make a \$250,000.00 partial payment on May 13, 2019 and further agreed that in the event the balance of the Settlement Amount following such payment is not indefeasibly paid in full by May 24, 2019, in addition to the Late Penalty being increased from \$10,000.00 to \$15,000.00 per day (as set forth in the Second Amendment to the Settlement Agreement), the balance of the Settlement Amount shall immediately increase by \$50,000.00 and the Initial Payment Date shall be deemed extended from May 25, 2019 to June 27, 2019. Pursuant to the Third Amendment, payment of \$250,000.00 was received on May 13, 2019. On June 27, 2019, NC Mutual and Schreiber entered into a fourth amendment to the October 17, 2018 settlement agreement whereby Schreiber agreed to make a \$200,000.00 partial payment on June 27, 2019 and further agreed that in the event the balance of the Settlement Amount following such payment is not indefeasibly paid in full by August 20, 2019, the Late Penalty shall be \$15,000.00 per day (as set forth in the referenced Third Amendment to Settlement Agreement). Pursuant to the

¹ Although the indictment does not name NC Mutual, it is clear that the allegations relate to Reifler's conduct as alleged in this litigation.

² Similarly, the indictment does not explicitly name this litigation but it is clear that the declaration at issue was submitted in this litigation.

Fourth Amendment, payment of \$200,000.00 was received on June 27, 2019. On August 12, 2019, NC Mutual and Schreiber entered into a fifth amendment to the October 17, 2018 settlement whereby Schreiber agreed to make a \$100,000.00 partial payment no later than August 19, 2019, and further agreed that in the event the balance of the Settlement Amount following such payment is not indefeasibly paid in full by August 29, 2019, the Initial Payment Date shall be deemed extended to September 30, 2019, and the Settlement Amount of \$1,615,018.00 shall be immediately increased by \$50,000.00. In the event the new Settlement Amount is not indefeasibly paid in full by September 30, 2019, the Late Penalty shall be \$15,000.00 per day (as set forth in the Third Amendment to Settlement Agreement). Pursuant to the Fifth Amendment, payment of \$100,000.00 was received on August 16, 2019. On September 18, 2019, NC Mutual and Schreiber entered into a sixth amendment to the October 17, 2018 settlement whereby Schreiber agreed to make a \$100,000.00 partial payment no later than September 20, 2019, and further agreed that in the event the balance of the Settlement Amount following such payment is not indefeasibly paid in full by September 19, 2019, the Initial Payment Date shall be deemed extended to November 15, 2019, and the Settlement Amount of \$1,565,018.00 shall be immediately increased by \$50,000.00. In the event the new Settlement Amount is not indefeasibly paid in full by November 15, 2019, the Late Penalty shall be \$15,000.00 per day (as set forth in the Fourth Amendment to Settlement Agreement). Pursuant to the Sixth Amendment, payment of \$100,000 was received on September 20, 2019. On November 13, 2019, NC Mutual and Schreiber entered into a seventh amendment to the October 17, 2018 settlement whereby Schreiber agreed to make a \$50,000 partial payment no later than November 15, 2019, and further agreed that in the event the balance of the Settlement Amount following such payment is not indefeasibly paid in full on November 15, 2019, the Initial Payment Date shall be deemed extended to January 15, 2020, and the Settlement Amount of \$1,515,018 shall be immediately increased by \$50,000. In the event the Settlement Amount of \$1,515,018 is not indefeasibly paid in full by January 15, 2020, the Late Penalty shall be \$15,000 per day (as set forth in the referenced Fourth Amendment to Settlement Agreement). Pursuant to the Seventh Amendment, payment of \$50,000 was received on November 15, 2019. On January 16, 2020, NC Mutual and Schreiber entered into an eighth amendment to the October 17, 2018 settlement whereby Schreiber agreed to make a \$25,000 partial payment no later than January 16, 2020, and further agreed that in the event the balance of the Settlement Amount following such is not indefeasibly paid in fully on January 16, 2020, the Initial Payment Date shall be deemed extended to March 31, 2020, and the Settlement Amount of \$1,515,018, shall be immediately increased by \$50,000. In the event the Settlement Amount of \$1,540,018 is not indefensibly payed in full by March 31, 2020, the Late Penalty shall be \$15,000 per day (as set forth in the referenced Fourth Amendment to Settlement Agreement). Pursuant to the Eighth Amendment, payment of \$25,000 was received on January 16, 2020. On March 30, 2020, NC Mutual and Schreiber entered into a ninth amendment to the October 17, 2018 settlement agreement whereby Schreiber agreed to make a \$100,000 partial payment in increments of no less than \$25,000 no later than March 31, 2020, April 30, 2020, May 31, 2020, and June 15, 2020, and further agreed that in the event the balance of the Settlement Amount is not indefeasibly paid in full on March 31, 2020, the Initial Payment Date shall be deemed extended to June 30, 2020, with the total of the March-June Extension Payments being applied to reduce the Settlement Amount to \$1,440,018; provided, however, that in the event that the Settlement Amount of \$1,440,018 (after application of the March-June Extension Payments) is not made by the new Payment Date of June 30 2020, the Settlement Amount shall not be reduced by the March-June Extension Payments, but rather shall remain \$1,540,018. In addition, in the event the Settlement Amount of \$1,440,018 (assuming timely payment of all of the March-June Extension Payments) is not indefeasibly paid in full on June 30, 2020, the Late Penalty (as set forth in the Fourth Amendment to Settlement Agreement) shall be \$15,000 per day. Pursuant to the Ninth Amendment, payments of \$25,000 were received on March 31, 2020 and

April 29, 2020. On or about June 23, 2020, NC Mutual and Schreiber entered into a tenth amendment to the October 17, 2018 settlement agreement whereby Schreiber agreed to make a \$25,000 penalty payment no later than June 30, 2020, and three additional payments, each in the amount of \$25,000, by July 15, 2020, August 15, 2020 and September 15, 2020, respectively; and, further agreed that Initial Payment Date shall be deemed extended to 5:00 p.m. on September 30, 2020, and in the event the balance of the Settlement Amount of \$1,365,018 (after application of the July-September Extension Payments) is not indefeasibly paid in full on September 30, 2020, in addition to the Settlement Amount not being reduced by the July-September Extension Payments or the March-June Extension Payments, the Late Penalty will be \$15,000 per day. On June 29, 2020, pursuant to the Tenth Amendment, a penalty payment of \$25,000 was received by NCM. On July 16, 2020, a payment of \$25,000 was received. On or about September 29, 2020, NC Mutual and Schreiber entered into an eleventh amendment to the October 17, 2018 Settlement Agreement whereby Schreiber agreed to make a \$25,000 penalty payment no later than September 30, 2020, and four additional payments, each in the amount of \$25,000, by October 15, 2020, November 15, 2020, December 15, 2020, and January 15, 2021 respectively; and, further agreed that the Initial Payment Date shall be extended to 5:00 p.m. on January 31, 2021, and in the event the balance of the Settlement Amount of \$1,265,018 (after application of the March-June Extension Payments, July-September Extension Payments, and October-January Extension Payments) is not indefeasibly paid in full on January 31, 2021, in addition to the Settlement Amount not being reduced by the March-January Extension Payments, the Late Penalty will be \$15,000 per day. On October 15, 2020, a payment of \$25,000 was received. On November 13, 2020, a payment of \$25,000 was received. On December 15, 2020, a payment of \$25,000 was received. On January 7, 2021 NC Mutual and Schreiber entered into a twelfth amendment to the October 17, 2018 Settlement Agreement whereby Schreiber agreed to make a \$25,000 penalty payment no later than February 1, 2021, and three additional payments, each in the amount of \$25,000, by February 15, 2021, March 15, 2021, April 15, 2021, respectively; and, further agreed that the Initial Payment Date shall be extended to 5:00 p.m. on May 15, 2021, and in the event the balance of the Settlement Amount of \$1,190,018 (after application of each of the Extension Payment, collectively the March-May Extension Payments) is not indefeasibly paid in full on May 15, 2021, the Settlement Amount shall not be reduced by the March-May Extension Payments, but rather shall remain \$1,540,018. In addition, in the event the Settlement Amount of \$1,190,018 (assuming timely payment of (i) the final October-January Extension Payment in the amount of \$25,000 (the "January 15th Payment"), which amount must be received by NC Mutual by no later than 5:00 p.m. (New York time) on January 15, 2021, and (ii) each of the February-May Extension Payments) are not indefeasibly paid in full by 5:00 p.m. (New York time) on May 15, 2021, in addition to the Settlement Amount not being reduced by the March-May Extension Payments (*i.e.*, the Settlement Amount remaining \$1,540,0180), the Late Penalty (as defined in the original Settlement Agreement) shall be \$15,000 per day, but will not accrue in the interim. The Late Penalty shall apply for each day (or part thereof) after May 15, 2021 that the Settlement Amount (*i.e.*, \$1,540,018) shall not have been indefeasibly paid in full. On January 15, 2021, a payment of \$25,000 was received. On January 29, 2021, the penalty payment of \$25,000 was received. On February 16, 2021, a payment of \$25,000 was received. On March 15, 2021, a payment of \$25,000 was received. On May 6, 2021, NC Mutual and Schreiber entered into a thirteenth amendment to the October 17, 2018 Settlement Agreement whereby Schreiber agreed to make a \$25,000 penalty payment no later than May 17, 2021, and three additional payments, each in the amount of \$25,000, by June 15, 2021, July 15, 2021, and August 16, 2021 respectively; and, further agreed that Initial Payment Date shall be deemed extended to 5:00 pm on September 15, 2021. The Thirteenth Amendment further provided that the June-September 2021 Extension Payments, the February-May Extension Payments, the October-January Extension payments, and the July-September Extension Payments shall be applied to reduce the

Settlement Amount from \$1,540,018 (the amount due to NC Mutual as of May 17, 2021) to \$1,115,018; however, in the event the Settlement Amount of \$1,115,108 is not indefeasibly paid in full by September 15, 2021, the Settlement Amount shall not be reduced but rather shall remain \$1,540,018. The Thirteenth Amendment further provided that in the event the balance of the Settlement Amount of \$1,115,018 (assuming timely payment of the May 17, 2021 penalty payment and the June 15, 2021, July 15, 2021, and August 15, 2021 payments) is not indefeasibly paid in full on September 15, 2021, in addition to the Settlement Amount not being reduced by the March 2019-September 2021 Extension Payments, the Late Penalty will be \$15,000 per day. On May 15, 2021, a payment of \$25,000 was received. On June 15, 2021, a payment of \$25,000 was received. On July 15, 2021, a payment of \$25,000 was received.

Marietta McClendon v. North Carolina Mutual Life Insurance Company, Case No. 3:17-cv-00404;
United States District Court Middle District of Tennessee at Nashville

Plaintiff filed her initial complaint on March 1, 2017. Her claims were for breach of contract, unjust enrichment and violation of the North Carolina Unfair or Deceptive Trade Practices Act related to a life insurance policy. Plaintiff also pled grounds seeking class certification. On June 29, 2018, NC Mutual filed a Motion for Summary Judgment on all three claims.

On September 19, 2018, the Plaintiff moved to file a Second Amended Complaint. The Court denied the motion in part, which left four claims before the Court: (1) breach of contract; (2) unjust enrichment; (3) violation of North Carolina Unfair or Deceptive Trade Practices Act; and (4) violation of the Alabama Deceptive Trade Practices Act. The Court ruled that NC Mutual's Motion for Summary Judgment applied to all four claims.

On December 10, 2018, NC Mutual filed a Motion to Dismiss the North Carolina Unfair or Deceptive Trade Practices Act and the Alabama Deceptive Trade Practices Act claims.

The deposition of the Plaintiff took place on January 10, 2019. On January 14, 2019, counsel filed a Motion to Dismiss the two-consumer protection claims that the Plaintiff asserted in the most recent complaint (under both North Carolina and Alabama Law).

On February 15, 2019, NC Mutual filed a Supplemental Motion for Summary Judgment seeking judgment on the unjust enrichment, AL deceptive trade practices and NC unfair trade practices claims. On February 15, 2019, the Plaintiff filed a Motion for Partial Summary Judgment for relief on the breach of contract and AL deceptive trade practices claims, as well as for injunctive relief. The Plaintiff additionally filed a motion requesting the Court certify a class for this action and made its expert disclosures.

On February 19, 2019, NC Mutual filed additional exhibits in support of its Supplemental Motion for Summary Judgment. On February 19, 2019, an Order was issued to transmit the file to the District Judge for consideration of the pending dispositive motions.

On May 10, 2019, Plaintiff filed a Motion for Leave to File Supplemental Memorandum in Support of Plaintiff's Motion for Class Certification. On May 22, 2019, counsel filed Defendant's Motion To Ascertain Status of two of the pending dispositive motions, a motion to dismiss and the motion for summary judgment. On May 24, 2019, NC Mutual filed a Notice of Filing in Support of Defendant's Response in Opposition to Plaintiff's Motion for Leave to File Late-filed Motion for Class Certification. On May 31, 2019, Plaintiff filed a Reply in Support of Plaintiff's Motion for

Leave to File Supplemental Memorandum in Support of Plaintiff's Motion for Class Certification. On June 5, 2019, NC Mutual filed a Motion for Leave to File Sur-reply, which was granted. On June 6, 2019, NC Mutual filed its Sur-reply Opposing Plaintiff's Late-filed Motion for Class Certification. On June 14, 2019, NC Mutual filed a Notice to the Court of Binding Legal Authority Regarding Defendant's Motion for Summary Judgment, NC Mutual's Opposition to Plaintiff's Motion for Partial Summary Judgment, a filing of exhibits in support of its Response in opposition to Plaintiff's Motions for (a) Class Certification and (b) for Partial Summary Judgment, a Statement of Undisputed Material Facts in support of Motion for Summary Judgment, and NC Mutual's Opposition to Plaintiff's Motion for Class Certification. On June 14, 2019, Plaintiff's Opposition to Defendant's Supplemental Motion for Summary Judgment was filed along with the Declaration of Annika K. Martin in Support of Plaintiff's Opposition to Defendant's Supplemental Motion for Summary Judgment. On June 18, 2019, Plaintiff's Response to Defendant's Statement of Undisputed Material Facts in Support of its Supplemental Motion for Summary Judgment was filed. The parties conducted discovery, including conducting depositions of named experts. On June 28, 2019, NC Mutual filed its Reply in Support of its Supplemental Motion for Summary Judgment. On the same day, Plaintiff filed her Reply Brief in Support of Plaintiff's Motion for Partial Summary Judgment and a Reply in Support of her Motion for Class Certification, along with a Declaration of her attorney in Support of Plaintiff's Reply in Support of her Motion for Summary Judgment. On July 23, 2019, NC Mutual filed a Motion for Leave to File Sur-reply.

On July 26, 2019, the federal court issued an Order which: (1) dismissed Plaintiff's North Carolina and Alabama deceptive trade practices claims; (2) dismissed Plaintiff's unjust enrichment claim; and, (3) granted Plaintiff partial summary judgment on her breach of contract claim with regard to the period within the applicable statute of limitation. On August 9, 2019, NC Mutual filed a Motion and Memorandum in support of 12(b)(1) Motion to Dismiss for Lack of Subject Matter Jurisdiction and a Supplemental Brief Opposing Class Certification. On August 9, 2019, Plaintiff filed a Supplemental Brief regarding Class Certification. On August 23, 2019, Plaintiff filed its Opposition to NCM's Rule 12(b)(1) Motion to Dismiss for Lack of Subject Matter Jurisdiction. On August 30, 2019, NC Mutual filed a Reply in Support of its 12(b)(1) Motion to Dismiss. On September 12, 2019, Plaintiff filed an Unopposed Motion to Set Case Management Conference. On September 19, 2019, the Court held a telephone conference call to discuss the trial schedule and issued an Order continuing the trial until March 24, 2020. On September 25, 2019, the federal court issued an Order for Plaintiff to Show Cause why the case should not be dismissed for lack of subject matter jurisdiction. On October 10, 2019, Plaintiff filed a Memorandum in Response to Court Order to Show Cause Why This Court Has Subject Matter Jurisdiction Over This Action, along with a declaration by Plaintiff's expert in support of Plaintiff's Response to Order to Show Cause. On October 17, 2019, NC Mutual filed a Motion for Leave to Respond in Opposition to Plaintiff's Response to the Order to Show Cause. On January 9, 2020, the Court issued an Order denying Plaintiff's Motion to Certify Class. On January 9, 2020, the Court also issued an Order denying NC Mutual's Motion to Dismiss for Lack of Subject Matter Jurisdiction. On January 21, 2020, the Court issued a Pretrial Order setting the case for trial starting March 3, 2020. On February 19, 2020, the parties entered into a Settlement Agreement and Mutual Release resulting in the dismissal of the case.

On January 20, 2017, Bradley Reifler filed a bankruptcy petition in the United States Bankruptcy Court, Southern District of New York. On May 1, 2017, NC Mutual filed a Verified Complaint for Non-Dischargeability of Debts and Denial of Discharge. On September 12, 2017, NC Mutual issued multiple deposition notices with subpoenas seeking documents. On November 16, 2017, the Court issued a Scheduling Order mandating that discovery end on March 15, 2018. An extension to discovery was granted up to March 19, 2018. On December 28, 2017, the Court ordered Defendant Reifler to turn over computers and electronic devices to forensic expert for analysis. On January 16, 2018, NC Mutual filed a Motion for Contempt alleging Defendant Reifler's violations of the Court Order regarding electronic devices and seeking judgment by default against Defendant Reifler as a penalty. On February 6, 2018, the Court issued an Order finding Defendant Reifler in contempt and ordering him to fully comply with the Order regarding electronic devices and to pay NC Mutual's attorney fees and expert fees. The Court noted that further violations by Defendant Reifler could result in entry of judgment in favor of N.C. Mutual. In March 2018, NC Mutual took multiple depositions. On May 4, 2018, following an evidentiary hearing, the Court issued an Order Finding Defendant in Continuing Contempt of Court Imposing Additional Sanctions and Entering Default Judgment. Defendant Reifler appealed the Order entering default judgment against him to the United States District Court, Southern District of New York. On January 31, 2019, the United States District Court, Southern District of New York issued an Order affirming the May 4, 2018 Order of the Bankruptcy Court and ordering the clerk of court to enter the judgment for NC Mutual and close the case. To date, Reifler has not appealed the District Court's order and his time to do so under applicable rules has expired. On or about June 23, 2020, the bankruptcy trustee filed an interim final report and interim fee application with the Bankruptcy Court.

Metropolitan Life Insurance Company v Willis, Brown, NC Mutual Financial LLC and Knight and Lindsey Funeral Home, LLC, Case No. 19-CV-6-KS-MTP; United States District Court, Southern District of Mississippi

NC Mutual was named in an interpleader action filed in the United States District Court, Southern District of Mississippi. Upon information and belief, service of process on NC Mutual, or its wholly owned subsidiary NC Mutual Financial LLC, was incomplete. On April 30, 2019, Plaintiff and Defendants entered into a Stipulation of Dismissal pursuant to Federal Rule of Civil Procedure 41(a)(1)(A)(ii).

In re Estate of Eugene Moore; Henry County Probate Court, Georgia

On February 28, 2019, NC Mutual received service of process regarding an Order of Notice of a Petition for Discharge of Personal Representative in an estate action filed in Henry County Probate Court, Georgia. NC Mutual has taken no action at this time.

Rena Lennon v. Joseph S. Mitchell, Jr., North Carolina Mutual Life Insurance Company; Superior Court, Pender County, North Carolina

On November 3, 2020, the Plaintiff filed an action seeking the appointment of a receiver and judicial determination that Joseph S. Mitchell, Jr. is deceased pursuant to Chapter 28C of the North Carolina General Statutes. NC Mutual is named solely in its capacity as the life insurer of Joseph S. Mitchell, Jr. Plaintiff is seeking to have her brother, Joseph S. Mitchell, Jr., declared dead and a receiver appointed to preserve his only known property, a life insurance policy with NC Mutual, as well as a separate undivided interest in real property located in Wilmington, NC. On November 30, 2020, NC

Mutual received an extension of time to file its responsive pleadings by January 6, 2021. NC Mutual filed an Answer on January 5, 2021.

OTHER MATTERS

- The Rehabilitator is currently evaluating an alternative business continuity/disaster recovery solution to reduce current expenses and to address NC Mutual's aging computer hardware.
- The Rehabilitator purchased a one-year extended reporting period on NC Mutual's expired Directors & Officers insurance policy in 2019. On November 15, 2019, the Rehabilitator filed a notice of claim under the Directors & Officers insurance policy. This claim remains open.
- Pursuant to the Moratorium Order, the Rehabilitator has imposed a moratorium on cash surrenders, annuitizations, and policy loans against NC Mutual policies until such time as the Court approves lifting of the moratorium.
- In accordance with the Moratorium Order, the Rehabilitator has adopted and implemented a policy to provide substitute benefits in lieu of the contractual obligations of NC Mutual for annuity benefits and cash withdrawals for NC Mutual policyholders who petition for payment under claims of legitimate hardship. NC Mutual continues to receive and evaluate claims of hardship on a case-by-case basis. As of June 30, 2021, the Rehabilitator has received 393 hardship requests with 377 closed and 16 cases under review.
- The Rehabilitator has evaluated options related to funding of NC Mutual's defined pension plan and has determined that it is in the best interest of NC Mutual to make annual contributions in the minimum required amount. As such, NC Mutual made contributions of \$116,500 on June 14, 2019, \$615,499 on April 14, 2020, \$71,499 on September 30, 2020, \$71,499 on October 31, 2020, \$71,499 on January 1, 2021 and \$56,470 on April 30, 2021.
- The Governor of North Carolina declared a state of emergency on March 10, 2020, followed by the city and county of Durham, on March 15, 2020 due to COVID-19. In response, a business continuity plan was instituted for the Company and the offices were temporarily closed to the public on March 19, 2020. The Rehabilitator worked to facilitate NC Mutual staff working from home in anticipation of the Stay at Home orders issued by the State and local authorities. The office remains closed to the public and the majority of staff continues to work from home.
- On March 27, 2019, in accordance with NC Mutual's bylaws, the Rehabilitator held the 2019 annual meeting of policyholders. Due to COVID-19 and the stay at home orders in effect, the 2020 annual meeting of policyholders was not held. Although the stay at home orders were lifted, continued COVID-19 restrictions on gatherings and social distancing requirements remained in effect and as such the 2021 annual meeting of policyholders was not held.
- Effective September 15, 2020, NC Mutual and Southland National Insurance Corporation ("Southland") amended their December 31, 2014, Reinsurance and Administration Agreement (the "Agreement") whereby NC Mutual ceded and retroceded to Southland, on a one-hundred percent (100%) indemnity reinsurance basis, certain insurance policies previously written or assumed by NC Mutual. Pursuant to the terms of the Agreement, Southland (as Grantor) established a reinsurance trust to secure its obligations to NC Mutual. Following notice from the trustee of its intent to resign, NC Mutual and Southland amended the Agreement and voluntarily terminated the trust agreement effective September 15, 2020. In conjunction with termination of the trust agreement, the trustee was instructed to transfer all "Eligible Assets," as such term is defined in the Agreement, to NC Mutual and to transfer all other assets (the "Ineligible Assets"), then described as being held in the trust, to Southland. In accordance with the amended Agreement, the Ineligible Assets are pledged to NC Mutual and NC Mutual has made a UCC-1 filing to secure its interest in the Ineligible Assets. Following notification from

Southland of its inability to perform under the terms of the Agreement, NC Mutual issued a notice of default informing Southland, pursuant to the terms of the amended Agreement, the Eligible Assets previously transferred will be used to satisfy Southland's monthly obligations owing to NC Mutual. The impact of Southland's default is more fully described in Note A of the financial statement. Additionally, absent recovery on the Ineligible Assets and upon exhaustion of the Eligible Assets, NC Mutual will no longer receive the \$4.00 per in-force policy administration fee provided for in the Agreement. On March 12, 2021, Mike Causey, Commissioner of Insurance of North Carolina and rehabilitator of Southland, filed a Verified Petition for an Order of Liquidation against Southland and Petition Seeking Injunctive Relief in the Wake County Superior Court. The Court has not heard this petition as yet. On July 7, 2021, the Court entered an order staying the liquidation proceeding pursuant to the terms of an escrow agreement reached by the parties.

CONTINUATION OF BUSINESS

A final decision as to the course of action to take with NC Mutual has not yet been determined.

INTRODUCTION TO NORTH CAROLINA MUTUAL LIFE INSURANCE COMPANY
FINANCIAL STATEMENTS
AS OF JUNE 30, 2021

Introduction and Basis of Presentation: NC Mutual is a North Carolina domiciled life, accident and health insurance company that was placed in rehabilitation by the Wake County Superior Court on December 3, 2018. NC Mutual is under the control of the Commissioner of Insurance of the State of North Carolina, who is the Rehabilitator of NC Mutual. It is the Rehabilitator's responsibility to take possession of the assets of NC Mutual and to administer them under the general supervision of the Court.

The accompanying unaudited financial statements were prepared by NC Mutual staff under the supervision of the Rehabilitator, as of June 30, 2021. The financial statements have been prepared in accordance with Statutory Accounting Principles promulgated by the National Association of Insurance Commissioners.

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	3,312,088	0	3,312,088	3,310,232
2. Stocks:				
2.1 Preferred stocks	0	0	0	0
2.2 Common stocks	8,505	0	8,505	6,480
3. Mortgage loans on real estate:				
3.1 First liens	4,519,668	188,062	4,331,607	4,447,015
3.2 Other than first liens	0	0	0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances)	0	0	0	0
4.2 Properties held for the production of income (less \$.....0 encumbrances)	0	0	0	0
4.3 Properties held for sale (less \$.....0 encumbrances)	18,847	7	18,840	61,840
5. Cash (\$.....56,206,667), cash equivalents (\$.....2,600,735) and short-term investments (\$.....0)	58,807,402	0	58,807,402	60,968,452
6. Contract loans (including \$.....0 premium notes)	1,923,701	1,745	1,921,956	1,870,419
7. Derivatives	0	0	0	0
8. Other invested assets	1,305,182	1,305,182	0	0
9. Receivables for securities	0	0	0	0
10. Securities lending reinvested collateral assets	0	0	0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	69,895,393	1,494,995	68,400,397	70,664,437
13. Title plants less \$.....0 charged off (for Title Insurers only)	0	0	0	0
14. Investment income due and accrued	31,746	0	31,746	28,197
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	(1,267)	0	(1,267)	(771,006)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)	129,844	0	129,844	119,656
15.3 Accrued retrospective premiums (\$.....0) and contracts subject to redetermination (\$.....0)	0	0	0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	179,723	0	179,723	2,290,665
16.2 Funds held by or deposited with reinsured companies	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts	1,705,274	0	1,705,274	2,703,599
17. Amounts receivable relating to uninsured plans	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	294,158	0	294,158	294,158
18.2 Net deferred tax asset	0	0	0	0
19. Guaranty funds receivable or on deposit	0	0	0	0
20. Electronic data processing equipment and software	0	0	0	0
21. Furniture and equipment, including health care delivery assets (\$.....0)	4,582	4,582	0	0
22. Net adjustments in assets and liabilities due to foreign exchange rates	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates	299,260	299,260	0	0
24. Health care (\$.....0) and other amounts receivable	0	0	0	0
25. Aggregate write-ins for other-than-invested assets	2,430,030	151,307	2,278,724	2,281,359
26. TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	74,968,743	1,950,145	73,018,598	77,611,064
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
28. TOTAL (Lines 26 and 27)	74,968,743	1,950,145	73,018,598	77,611,064
DETAILS OF WRITE-INS				
1101.	0	0	0	0
1102.	0	0	0	0
1103.	0	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0
2501. CSV OFFICERS INSURANCE	2,277,242	0	2,277,242	2,281,205
2502. ADVANCES TO AGENTS	15	15	0	0
2503. PREPAID RENT / EXPENSES	52,807	52,807	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	99,967	98,484	1,482	154
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	2,430,030	151,307	2,278,724	2,281,359

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Aggregate reserve for life contracts \$.....15,283,635 less \$.....0 included in Line 6.3 (including \$.....0 Modco Reserve)	15,283,635	15,028,217
2. Aggregate reserve for accident and health contracts (including \$.....0 Modco Reserve)	41,122	41,664
3. Liability for deposit-type contracts (including \$.....0 Modco Reserve)	1,879,788	1,907,439
4. Contract claims:		
4.1 Life	1,384,122	1,377,327
4.2 Accident and health	35,335	35,335
5. Policyholders' dividends/refunds to members \$.....0 and coupons \$.....0 due and unpaid	0	0
6. Provision for policyholders' dividends, refunds to members and coupons payable in following calendar year - estimated amounts:		
6.1 Policyholders' dividends and refunds to members apportioned for payment (including \$.....0 Modco)	0	0
6.2 Policyholders' dividends and refunds to members not yet apportioned (including \$.....0 Modco)	0	0
6.3 Coupons and similar benefits (including \$.....0 Modco)	0	0
7. Amount provisionally held for deferred dividend policies not included in Line 6	0	0
8. Premiums and annuity considerations for life and accident & health contracts received in advance less \$.....0 discount; including \$.....2,678 accident and health premiums	4,431	4,931
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts	0	0
9.2 Provision for experience rating refunds, including the liability of \$.....0 accident and health experience rating refunds of which \$.....0 is for medical loss ratio rebate per the Public Health Service Act	0	0
9.3 Other amounts payable on reinsurance; including \$.....0 assumed and \$.....0 ceded	0	0
9.4 Interest Maintenance Reserve	119,961	117,982
10. Commissions to agents due or accrued-life and annuity contracts \$.....0, accident and health \$.....0 and deposit-type contract funds \$.....0	0	0
11. Commissions and expense allowances payable on reinsurance assumed	164,419	667,222
12. General expenses due or accrued	295,754	181,611
13. Transfers to Separate Accounts due or accrued (net) (including \$.....0 accrued for expense allowances recognized in reserves, net of reinsured allowances)	0	0
14. Taxes, licenses and fees due or accrued, excluding federal income taxes	16,653	43,302
15.1 Current federal and foreign income taxes, including \$.....0 on realized capital gains (losses)	0	0
15.2 Net deferred tax liability	0	0
16. Unearned investment income	1,060	1,182
17. Amounts withheld or retained by reporting entity as agent or trustee	46,314	46,488
18. Amounts held for agents' account, including \$.....0 agents' credit balances	8,537	5,575
19. Remittances and items not allocated	123,507	119,569
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0
21. Liability for benefits for employees and agents if not included above	3,857,644	3,875,613
22. Borrowed money \$.....0 and interest thereon \$.....0	0	0
23. Dividends to stockholders declared and unpaid	0	0
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve	82,762	86,135
24.02 Reinsurance in unauthorized and certified (\$.....0) companies	26,086,922	25,990,695
24.03 Funds held under reinsurance treaties with unauthorized and certified (\$.....0) reinsurers	0	0
24.04 Payable to parent, subsidiaries and affiliates	0	0
24.05 Drafts outstanding	30,117	41,930
24.06 Liability for amounts held under uninsured plans	0	0
24.07 Funds held under coinsurance	49,118,816	53,482,056
24.08 Derivatives	0	0
24.09 Payable for securities	0	0
24.10 Payable for securities lending	0	0
24.11 Capital notes \$.....0 and interest thereon \$.....0	0	0
25. Aggregate write-ins for liabilities	52,788,551	50,670,498
26. Total Liabilities excluding Separate Accounts business (Lines 1 to 25)	151,369,449	153,724,770
27. From Separate Accounts Statement	0	0
28. Total Liabilities (Lines 26 and 27)	151,369,449	153,724,770
29. Common capital stock	0	0
30. Preferred capital stock	0	0
31. Aggregate write-ins for other than special surplus funds	0	0
32. Surplus notes	0	0
33. Gross paid in and contributed surplus	0	0
34. Aggregate write-ins for special surplus funds	7,547,209	7,741,299
35. Unassigned funds (surplus)	(85,898,060)	(83,855,004)
36. Less treasury stock, at cost:		
36.10 shares common (value included in Line 29 \$.....0)	0	0
36.20 shares preferred (value included in Line 30 \$.....0)	0	0
37. Surplus (Total Lines 31 to 35, Less 36) (including \$.....0 in Separate Accounts Statement)	(78,350,851)	(76,113,706)
38. Totals of Lines 29, 30 and 37	(78,350,851)	(76,113,706)
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	73,018,598	77,611,064
DETAILS OF WRITE-INS		
2501. GROUP LIFE FUNDS HELD ON DEPOSIT	1,734,010	1,734,010
2502. PROVISION FOR UNCOLLECTIBLE REINSURANCE RESERVES	51,054,541	48,936,488
2503.	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	52,788,551	50,670,498
3101.	0	0
3102.	0	0
3103.	0	0
3198. Summary of remaining write-ins for Line 31 from overflow page	0	0
3199. TOTALS (Lines 3101 through 3103 plus 3198) (Line 31 above)	0	0
3401. SURPLUS FROM REINSURANCE	7,547,209	7,741,299
3402.	0	0
3403.	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)	7,547,209	7,741,299

SUMMARY OF OPERATIONS

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Premiums and annuity considerations for life and accident and health contracts	11,049,404	10,732,836	23,115,802
2. Considerations for supplementary contracts with life contingencies	0	0	0
3. Net investment income	307,744	358,524	597,066
4. Amortization of Interest Maintenance Reserve (IMR)	(1,980)	(1,823)	38,047
5. Separate Accounts net gain from operations excluding unrealized gains or losses	0	0	0
6. Commissions and expense allowances on reinsurance ceded	2,477,696	2,575,440	5,046,770
7. Reserve adjustments on reinsurance ceded	0	0	0
8. Miscellaneous Income:			
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	0	0	0
8.2 Charges and fees for deposit-type contracts	0	0	0
8.3 Aggregate write-ins for miscellaneous income	(228,993)	81,726	(410,589)
9. Totals (Lines 1 to 8.3)	13,603,872	13,746,703	28,387,095
10. Death benefits	10,869,963	9,563,732	20,889,274
11. Matured endowments (excluding guaranteed annual pure endowments)	10,048	13,776	7,407
12. Annuity benefits	0	0	0
13. Disability benefits and benefits under accident and health contracts	825	13,390	15,104
14. Coupons, guaranteed annual pure endowments and similar benefits	0	0	0
15. Surrender benefits and withdrawals for life contracts	83,169	113,735	172,657
16. Group conversions	5,788	1,425	11,578
17. Interest and adjustments on contract or deposit-type contract funds	26,847	28,226	56,000
18. Payments on supplementary contracts with life contingencies	182	182	363
19. Increase in aggregate reserves for life and accident and health contracts	254,875	221,845	411,306
20. TOTALS (Lines 10 to 19)	11,251,698	9,956,310	21,563,690
21. Commissions on premiums, annuity considerations, and deposit type contract funds (direct business only)	56,299	52,788	89,954
22. Commissions and expense allowances on reinsurance assumed	535,480	1,044,349	2,044,173
23. General insurance expenses and fraternal expenses	1,639,815	1,934,070	3,999,785
24. Insurance taxes, licenses and fees, excluding federal income taxes	96,668	51,196	77,913
25. Increase in loading on deferred and uncollected premiums	(4,492)	(5,648)	(2,690)
26. Net transfers to or (from) Separate Accounts, net of reinsurance	0	0	0
27. Aggregate write-ins for deductions	110,000	109,500	279,656
28. Totals (Lines 20 to 27)	13,685,468	13,142,565	28,052,481
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	(81,596)	604,138	334,614
30. Dividends to policyholders and refunds to members	0	321	760
31. Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes (Line 29 minus Line 30)	(81,596)	603,817	333,854
32. Federal and foreign income taxes incurred (excluding tax on capital gains)	0	0	0
33. Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	(81,596)	603,817	333,854
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$.....0 (excluding taxes of \$.....0 transferred to the IMR)	0	15,132	45,748
35. Net income (Line 33 plus Line 34)	(81,596)	618,949	379,601
CAPITAL AND SURPLUS ACCOUNT			
36. Capital and surplus, December 31, prior year	(76,113,706)	(27,790,357)	(27,790,357)
37. Net Income (Line 35)	(81,596)	618,949	379,601
38. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0	2,025	211,221	(1,311)
39. Change in net unrealized foreign exchange capital gain (loss)	0	0	0
40. Change in net deferred income tax	0	0	0
41. Change in nonadmitted assets	247,422	136,062	157,889
42. Change in liability for reinsurance in unauthorized and certified companies	(2,214,280)	363,985	(48,881,299)
43. Change in reserve on account of change in valuation basis, (increase) or decrease	0	0	0
44. Change in asset valuation reserve	3,373	4,307	39,328
45. Change in treasury stock	0	0	0
46. Surplus (contributed to) withdrawn from Separate Accounts during period	0	0	0
47. Other changes in surplus in Separate Accounts Statement	0	0	0
48. Change in surplus notes	0	0	0
49. Cumulative effect of changes in accounting principles	0	0	0
50. Capital changes:			
50.1 Paid in	0	0	0
50.2 Transferred from surplus (Stock Dividend)	0	0	0
50.3 Transferred to surplus	0	0	0
51. Surplus adjustment:			
51.1 Paid in	0	0	0
51.2 Transferred to capital (Stock Dividend)	0	0	0
51.3 Transferred from capital	0	0	0
51.4 Change in surplus as a result of reinsurance	(194,089)	(5,549,489)	(5,779,612)
52. Dividends to stockholders	0	0	0
53. Aggregate write-ins for gains and losses in surplus	0	5,319,202	5,562,056
54. Net change in capital and surplus (Lines 37 through 53)	(2,237,145)	1,104,237	(48,323,349)
55. Capital and surplus as of statement date (Lines 36 + 54)	(78,350,851)	(26,686,121)	(76,113,706)
DETAILS OF WRITE-INS			
08.301. DEPOSIT ACCOUNTING INCOME	72,000	35,923	43,209
08.302. MISCELLANEOUS INCOME	108,255	219,840	432,595
08.303. CHANGE IN CSV	(61,893)	(29,037)	(504,516)
08.398. Summary of remaining write-ins for Line 8.3 from overflow page	(347,355)	(145,000)	(381,877)
08.399. TOTALS (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above)	(228,993)	81,726	(410,589)
2701. DEFERRED COMP	110,000	109,500	312,936
2702. INC (DEC) IN GRP FUNDS ON DEPOSIT	0	0	(33,280)
2703. Summary of remaining write-ins for Line 27 from overflow page	0	0	0
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0	0
2799. TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above)	110,000	109,500	279,656
5301. SURPLUS INC / DEC - OTHER PRIOR PERIOD ADJUSTMENTS	0	(163)	0
5302. SURPLUS INC / DEC - OTHER SURPLUS ADJUSTMENTS	0	5,319,365	5,562,056
5303. Summary of remaining write-ins for Line 53 from overflow page	0	0	0
5398. Summary of remaining write-ins for Line 53 from overflow page	0	0	0
5399. TOTALS (Lines 5301 through 5303 plus 5398) (Line 53 above)	0	5,319,202	5,562,056

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	10,367,730	10,558,260	23,708,534
2. Net investment income	371,512	349,578	767,840
3. Miscellaneous income	1,006,906	2,319,164	3,402,232
4. TOTAL (Lines 1 to 3)	11,746,148	13,227,002	27,878,606
5. Benefit and loss related payments	8,879,085	9,978,792	22,812,080
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	2,789,915	3,156,198	5,877,968
8. Dividends paid to policyholders	0	321	760
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	0	0	0
10. TOTAL (Lines 5 through 9)	11,668,999	13,135,311	28,690,808
11. Net cash from operations (Line 4 minus Line 10)	77,149	91,691	(812,202)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	0	620,000	620,000
12.2 Stocks	0	0	617,653
12.3 Mortgage loans	128,194	124,055	316,932
12.4 Real estate	43,000	0	0
12.5 Other invested assets	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0	0
12.7 Miscellaneous proceeds	0	0	0
12.8 TOTAL investment proceeds (Lines 12.1 to 12.7)	171,194	744,055	1,554,585
13. Cost of investments acquired (long-term only):			
13.1 Bonds	0	0	0
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	0
13.6 Miscellaneous applications	0	0	0
13.7 TOTAL investments acquired (Lines 13.1 to 13.6)	0	0	0
14. Net increase (or decrease) in contract loans and premium notes	(191,437)	(210,243)	(501,064)
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	362,631	954,299	2,055,649
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0	0
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	(27,651)	3,023	(40,108)
16.5 Dividends to stockholders	0	0	0
16.6 Other cash provided (applied)	(2,573,179)	(460,105)	52,219,447
17. Net cash from financing and miscellaneous sources (Line 16.1 through 16.4 minus Line 16.5 plus Line 16.6)	(2,600,830)	(457,082)	52,179,339
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(2,161,050)	588,907	53,422,785
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	60,968,452	7,545,667	7,545,667
19.2 End of period (Line 18 plus Line 19.1)	58,807,402	8,134,574	60,968,452
Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:			
20.0001	0	0	0

OVERFLOW PAGE FOR WRITE-INS

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1197. Summary of remaining write-ins for Line 11 (Lines 1104 through 1196)	0	0	0	0
2504. OTHER AMOUNTS RECEIVABLE	1,482	0	1,482	154
2505. LEASEHOLD IMPROVEMENTS	0	0	0	0
2506. OTHER ASSETS	98,484	98,484	0	0
2597. Summary of remaining write-ins for Line 25 (Lines 2504 through 2596)	99,967	98,484	1,482	154

SUMMARY OF OPERATIONS

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
08.304. OI CHANGE IN CONVERSION POOL ASSETS-ASSUMED	(145,000)	(145,000)	(381,877)
08.305. GAIN / LOSS SALE OF REAL ESTATE	2,531	0	0
08.306. GAIN / LOSS ON WRITE-OFF FIXED ASSETS	(204,886)	0	0
08.397. Summary of remaining write-ins for Line 8.3 (Lines 08.304 through 08.396)	(347,355)	(145,000)	(381,877)
2797. Summary of remaining write-ins for Line 27 (Lines 2704 through 2796)	0	0	0
5397. Summary of remaining write-ins for Line 53 (Lines 5304 through 5396)	0	0	0

Note A – North Carolina Mutual Life Insurance Company (“Company”) and Southland National Insurance Corporation (“Southland”) entered into a Reinsurance and Administration Agreement on December 31, 2014 (“Agreement”). Credit for reinsurance ceded to Southland is allowed pursuant to N.C. Gen. Stat. §58-7-21(b)(1).

Simultaneously with the execution and delivery of the Agreement, the Company, Southland and the Trustee entered into a Trust Agreement, pursuant to which the Trustee was to hold cash and/or investments of the type consistent with the requirements of the insurance laws of the State of North Carolina (“Eligible Assets”) as security for the satisfaction of the obligations of Southland. As part of the Agreement, Southland was required to ensure that the Trust Account held Eligible Assets with a Statutory Book Value equal to the Required Balance at all times.

On June 27, 2019, the Wake County Superior Court issued an Order of Rehabilitation against Southland and appointed the Commissioner of Insurance for the State of North Carolina as Rehabilitator.

Effective September 15, 2020, the Company and Southland amended the Agreement (the “Amendment”). Per the Amendment, the prior Trustee notified the Company and Southland of its intent to resign as trustee. As such, the Company and Southland decided to voluntarily terminate the Trust Agreement and discharge the prior Trustee. The Company and Southland instructed the prior Trustee, immediately upon termination of the Trust Agreement, to (a) transfer all Eligible Assets in the Trust Account to the Company; and (b) transfer all other assets held in the Trust Account (the “Ineligible Assets”) to Southland. The Company shall hold the Eligible Assets as a funds withheld liability and only use the Eligible Assets as set forth in the Agreement. Southland shall hold the Ineligible Assets as pledged or otherwise encumbered assets, to be used exclusively and only as set forth in the Agreement for the benefit of the Company.

On December 3, 2020, the Company issued a notice of default to Southland after receiving notification from Southland of its inability to perform under the terms of the Agreement. The notice of default informed Southland of the Company’s intent to begin withdrawing assets from the funds withheld account to settle all related amounts due from Southland pursuant to the Agreement.

On March 12, 2021, Mike Causey, Commissioner of Insurance of North Carolina and Rehabilitator of Southland filed a Verified Petition for an Order of Liquidation against Southland and Petition Seeking Injunctive Relief in the Wake County Superior Court. The Court has not heard the petition.

As of June 30, 2021, the Company held \$49,118,816 of cash and reported a corresponding liability on Page 3, Line 24.07 – Funds Held Under Coinsurance on the Annual Statement in accordance with the Amendment.

As of June 30, 2021, the book value of the Ineligible Assets was \$86.9 million, detailed below. The Company has been granted a secured interest in these assets. However, these assets are not income producing as required by N.C. Gen. Stat. §58-7-167. At present time, Southland is unable to replace these assets with Eligible Assets.

<u>Ineligible Assets by Class</u>		
<u>Type</u>	<u>Amount</u>	<u>%</u>
Equities	\$ 13,349,912	15%
Other	5,174,158	6%
Promissory Notes	68,375,749	79%
	<u>\$ 86,899,818</u>	<u>100%</u>

The Company ceded a total of \$100,173,357 in reserves to Southland as of June 30, 2021. Given Southland no longer has the ability to meet its payment obligations under the terms of the Agreement, and is also unable to replace the Ineligible Assets with Eligible Assets, the Company recorded a \$51,054,541 Provision for Uncollectible Reinsurance Reserves for those reserves ceded to Southland in excess of the cash held by the Company as funds withheld.

Note B – Bonds are carried at fair market value. All bonds are investment grade. Bonds and cash equivalents totaling \$5,284,163 are held on deposit by various state insurance departments for the benefit of either all policyholders or the policyholders of their respective states. The bonds and cash held by the states are detailed below.

State	Statutory Deposits	
	Bonds	Cash Equivalents
FL	534,628	533,881
GA	37,527	2,642
KY	424,926	20,114
MI	517,084	-
NC	826,216	845,410
OH	128,961	46,003
SC	181,364	5,063
TN	156,445	23,901
VA	-	1,000,000
	<u>2,807,150</u>	<u>2,477,013</u>

Note C – Restricted Cash for Payments due. On June 17, 2019 the Company sold North Carolina Mutual Financial (“NCMF”). NCMF’s bank account was closed on June 22, 2020 and the balance was transferred to the Company to cover any outstanding checks. As of June 30, 2021 the balance of outstanding checks is \$14,080. There is a liability for this balance on Page 3, Line 24.05 – Drafts Outstanding. Until the checks are presented for payment, or when they become escheatable, the corresponding cash will be restricted.

Note D – During the period the receiver paid:

- \$62,670.00 to Examination Resources, LLC for rehabilitation administrative services
- \$3,900.00 to Huff Powell Bailey for legal services
- \$7,288 to Lydecker Diaz for legal services
- \$591.48 to Rehabilitator’s staff for mileage related to administering the rehabilitation
- \$5,290.00 to Squire Patton Boggs, LLP for legal services
- \$123,861.90 to Williams, Mullen P.C. for legal services

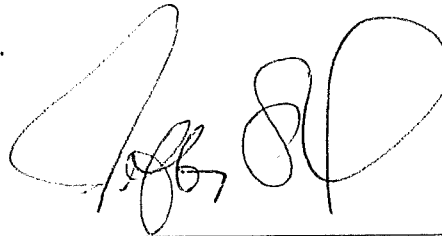
NORTH CAROLINA

WAKE COUNTY

VERIFICATION

JEFFREY A. TRENDEL, being first duly sworn, deposes and says that he is a Deputy Commissioner of Insurance for the North Carolina Department of Insurance and appointed as Special Deputy Rehabilitator for North Carolina Mutual Life Insurance Company by the Commissioner of Insurance and Rehabilitator, that he has read the foregoing quarterly report of activity of the Rehabilitator as of June 30, 2021, and a balance sheet, summary of operations and statement of cash flow as of June 30, 2021, of North Carolina Mutual Life Insurance Company, and that the contents of same are true and correct to the best of his knowledge and belief.

This the 23rd day of August, 2021.



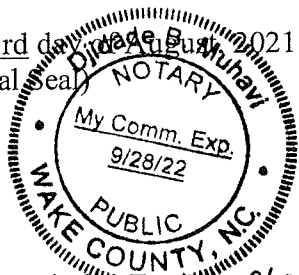
Deputy Commissioner of Insurance and
Special Deputy Rehabilitator for
North Carolina Mutual Life Insurance Company

NORTH CAROLINA

WAKE COUNTY

Sworn to and subscribed before me this

The 23rd day of August, 2021.
(Official Seal)



Djudade B. Merhan
Notary Public

My Commission Expires: 9/28/22