



**CERTIFICATE OF SERVICE**

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

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in the following manner:

( ) 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.

(X) by electronic mail to the email addresses listed.

This the 18th day of October, 2024.

JOSH STEIN  
ATTORNEY GENERAL  
Attorney for Petitioner,



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**NORTH CAROLINA MUTUAL LIFE INSURANCE COMPANY  
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER**

**BALANCE SHEET**

**AS OF JUNE 30, 2024**

**STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**FOR THE THREE MONTHS ENDING JUNE 30, 2024**

**AND FOR THE PERIOD FROM DECEMBER 3, 2018,**

**THROUGH JUNE 30, 2024**

## INTRODUCTION

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### 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 against NC Mutual and appointed the Commissioner of Insurance for the State of North Carolina as 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. On October 11, 2022, the Court entered an Order of Liquidation, with an effective date of October 31, 2022, and appointed the Commissioner of Insurance for the State of North Carolina as Liquidator. The Commissioner of Insurance of the State of North Carolina, in his capacity as Rehabilitator and Liquidator of NC Mutual, is hereinafter referred to as Receiver.

### PURPOSE OF THIS REPORT

The purpose of this report is to provide an update to the Court on the work that the Receiver and his staff have carried out since the issuance of the Rehabilitation Order, to set out the present situation of NC Mutual, and to provide a statement of financial position (balance sheet) as of June 30, 2024, and statement of receipts and disbursements through June 30, 2024.

### LIMITATIONS

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

### SUMMARY

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#### NC MUTUAL PROPERTY

- In accordance with the Order of Rehabilitation, the Receiver took possession of all known assets and property of NC Mutual.
- The Receiver 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 Receiver discontinued the operations of NC Mutual’s other wholly owned subsidiary, North Carolina Mutual Insurance Agency, LLC. The Receiver successfully negotiated

settlements with North Carolina Mutual Insurance Agency's creditors and made a pro rata distribution of the remaining assets.

- In 2019 the Receiver received two unsolicited offers to purchase a portion of NC Mutual's mortgage loan portfolio. The Receiver determined that acceptance of the offers was not in the best interest of NC Mutual. On August 16, 2022, the Receiver sold the mortgage loan portfolio for \$3,332,758.01.
- On December 16, 2020, the Receiver sold 186,040 shares of M&F Bancorp, Inc. common stock for \$617,652.80.
- The Receiver continues evaluating real property held by NC Mutual to determine the appropriate disposition of these assets. One property had a structure that was condemned, and the Receiver 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 Receiver received an offer to novate NC Mutual's Cancer and Dread Disease Medical Insurance Coverage book of business. The Receiver 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 of October 15, 2021, cancellation notices, in accordance with the terms of the Dread Disease Medical Insurance policies, were mailed to all group policyholders and certificate holders.
- The Receiver has been made aware of a pending unclaimed property audit involving thirty-one (31) state Departments of Revenue. At the Receiver's request, Verus Analytics, LLC (the appointed auditor) and the North Carolina Department of Revenue have agreed to suspend the audit.
- On October 11, 2021, four parcels of land owned by NC Mutual in Durham, NC were listed for sale. The parcels were packaged together for a total list price of \$109,900.
- On December 17, 2021, one parcel of land owned by NC Mutual was sold for \$11,287.
- On February 28, 2022, two parcels of land owned by NC Mutual were sold for a total of \$20,400.
- The Receiver discontinued the use of outdated equipment including on-site servers and has migrated systems to more secure Cloud based servers. With this change, there were costs associated with acquiring and replacing laptop computers and necessary peripherals for staff. Going forward there will be cost savings associated with utilizing cloud-based servers and storage.

#### **EXPENSE REDUCTIONS**

- The Receiver has evaluated all of NC Mutual's contracts to identify those that are essential for ongoing operations. As part of this effort, the Receiver has and continues to negotiate more favorable terms of essential contracts as they are up for renewal.
- The Receiver 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 Receiver has also

terminated non-essential independent contractors. Through June 30, 2024, current staffing was 21 employees.

- The Receiver terminated NC Mutual's annual statutory financial audit as financial statements prepared during the Rehabilitation and Liquidation proceedings will be prepared under the supervision of the Receiver's staff. Termination of the audit results 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 Receiver replaced certain IT equipment of NC Mutual during rehabilitation which resulted in an annualized expense reduction of approximately \$70,000.
- On October 7, 2020, the Receiver 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 Receiver received notice that the office space property was under new ownership. Following such notice, the Receiver entered into negotiations with the new landlord and on January 28, 2021, the Receiver entered into an amendment to the existing lease whereby NC Mutual relocated from the 12<sup>th</sup> floor to the 3<sup>rd</sup> floor of the building following certain improvements to be made by the landlord. Following relocation to the 3<sup>rd</sup> floor in June 2021, NC Mutual's monthly lease expense was reduced by approximately \$27,000 per month. As a result of the negotiations, the October 7, 2020, Motion was withdrawn. An extension to the lease through January 1, 2024, was executed on January 4, 2023. The lease was extended on January 22, 2024, for another year through January 1, 2025, with an option to terminate with notice without default on or after August 1, 2024.
- The Receiver has adjusted current services provided by NC Mutual's appointed actuary resulting in annualized expense reduction of approximately \$42,000.
- In late 2021, the Receiver replaced the Company's accounting software with QuickBooks Enterprise resulting in an annualized expense reduction of approximately \$52,000.

#### LITIGATION

To the Receiver's knowledge, at the time of the Order of Rehabilitation and through June 30, 2024, 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 Mutual<sup>1</sup> to divert its' assets for his personal use and benefit. The indictment further alleges that Reifler perjured himself by submitting a declaration in this litigation<sup>2</sup> 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. On July 28, 2021, and August 9, 2021, Reifler filed oppositions to NC Mutual's

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

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

motions for sanctions, to which NC Mutual replied on August 10, 2021, and August 20, 2021. On August 26, 2021, the Court issued a text order staying the case pending the resolution of Reifler's criminal trial.

On May 5, 2022, Reifler pleaded guilty to one count of wire fraud in his criminal action pending in the Middle District of North Carolina. On October 27, 2022, Reifler was sentenced to a five-year term of imprisonment and ordered to pay NC Mutual approximately \$20.3 million.

On May 1, 2023, NC Mutual filed a motion to lift the stay as to Reifler following Reifler's report to begin his term of imprisonment.

On May 12, 2023, Reifler responded in opposition to lifting the stay. That same day, Reifler filed a "request for review" of his pending Motion to Dismiss (filed in 2020).

On May 26, 2023, NC Mutual filed its reply in support of its motion to lift the stay and filed a response in opposition to the "request for review" filed by Reifler.

On August 17, 2023, NC Mutual and Wasitowski filed a Consent Motion to Lift the Stay as to Defendant Wasitowski for the limited purpose of filing a dismissal of Defendant Wasitowski from the litigation. That motion was granted on September 20, 2023.

On September 22, 2023, NC Mutual and Wasitowski filed a consent motion to dismiss Defendant Wasitowski from the litigation. That motion was granted on September 28, 2023.

On November 11, 2023, the Court entered an order lifting the stay to permit the matter to proceed against Reifler. The Court then entered a notice of trial calendar setting this matter for trial on December 4, 2024.

On March 13, 2024, Magistrate Judge Peake entered an order on NC Mutual's two pending motions for sanctions. The court denied the motions to the extent they sought entry of a default judgment. The court granted in part the motions to permit a proposed jury instruction on Reifler's spoliation and discovery violations at the upcoming trial of the matter. The court also set deadlines to file pretrial disclosure and motions.

On May 3, 2024, Reifler filed a motion to continue the trial date from December 2, 2024, until after he is released from prison in 2025. NC Mutual filed its response in opposition on May 24, 2024. The motion remains pending.

#### **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 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 full 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 indefeasibly paid 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 15<sup>th</sup> 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 \$1,540,018), 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. On September 15, 2021, NC Mutual and Schreiber entered into a Fourteenth Amendment to the October 17, 2018 Settlement Agreement whereby Schreiber agreed to make a \$25,000 penalty payment no later than September 15, 2021, and five additional payments, each in the amount of \$25,000, by October, 15, 2021; November 15, 2021; December 15, 2021; January 15, 2022; and, February 15, 2022, respectively; and, further agreed that Initial Payment Date shall be deemed extended to 5:00 pm on March 15, 2022. The Fourteenth Amendment further provided that the June-September 2021 Extension Payments, the February-May Extension Payments, the October-January Extension payments, the July-September Extension Payments, and the March-June Extension Payments shall be applied to reduce the Settlement Amount from \$1,540,018 (the amount due to NC Mutual as of September 15, 2021) to \$990,018; however, in the event the Settlement Amount of \$1,115,108 is

not indefeasibly paid in full by March 15, 2022, the Settlement Amount shall not be reduced but rather shall remain \$1,540,018. The Fourteenth Amendment further provided that in the event the balance of the Settlement Amount of \$1,115,018 (assuming timely payment of the September 15, 2021 penalty payment and the October, 15, 2021, November 15, 2021, December 15, 2021, January 15, 2022, and February 15, 2022 payments) is not indefeasibly paid in full on March 15, 2022, in addition to the Settlement Amount not being reduced by the March 2019-March 2022 Extension Payments, the Late Penalty will be \$15,000 per day. On September 15, 2021, a payment of \$25,000 was received. On October 18, 2021, a payment of \$25,000 was received. On November 15, 2021, a payment of \$25,000 was received. On December 15, 2021, a payment of \$25,000 was received. On January 18, 2022, a payment of \$25,000 was received. On February 15, 2022, a payment of \$25,000 was received. On March 10, 2022, NC Mutual and Schreiber entered into a Fifteenth Amendment to the October 17, 2018 Settlement Agreement whereby Schreiber agreed to make a \$25,000 penalty payment no later than March 15, 2022, and four additional payments, each in the amount of \$25,000, by April 15, 2022, May 16, 2022, June 15, 2022, and July 15, 2022, respectively; and, further agreed that the Initial Payment Date shall be deemed extended to 5:00 p.m. on August 1, 2022. The Fifteenth Amendment further provided that the April-July Extension Payments, shall be applied to reduce the Settlement Amount from \$990,018 to \$890,018; however, in the event the Settlement Amount of \$890,018 is not indefeasibly paid in full by August 1, 2022, the Settlement Amount shall not be reduced but rather shall remain \$1,540,018. The Fifteenth Amendment further provided that in the event the Settlement Amount of \$890,018 (assuming timely payment of the March 2022 Penalty Payment in the amount of \$25,000 and each of the April 2022-July 2022 payments) is not indefeasibly paid in full on August 1, 2022, in addition to the Settlement Amount not being reduced by the March 2019-July 2022 Extension Payments, the Late Penalty will be \$15,000 per day. On March 15, 2022, a payment of \$25,000 was received. On April 18, 2022, a payment of \$25,000 was received. On May 16, 2022, a payment of \$25,000 was received. On June 16, 2022, a payment of \$25,000 was received. On July 15, 2022, a payment of \$25,000 was received. On August 1, 2022, NC Mutual and Schreiber entered into a Sixteenth Amendment to the October 17, 2018 Settlement Agreement whereby Schreiber agreed to make a \$25,000 penalty payment not later than August 1, 2022, and four additional payments, each in the amount of \$25,000 by August 31, 2022, September 30, 2022, October 31, 2022 and November 28, 2022, respectively; and further agreed that the Initial Payment Date shall be deemed extended to 5:00 p.m. on December 30, 2022. The Sixteenth Amendment further provided that the August-December Extension Payments, shall be applied to reduce the Settlement Amount from \$890,018 to \$790,018; however, in the event the Settlement Amount of \$790,018 is not indefeasibly paid in full by December 30, 2022, the Settlement Amount shall not be reduced but rather shall remain \$1,540,018. The Sixteenth Amendment further provided that in the event the Settlement Amount of \$790,018 (assuming timely payment of the August 2022 Penalty Payment in the amount of \$25,000 and each of the August-December payments) is not indefeasibly paid in full on December 30, 2022, in addition to the Settlement Amount not being reduced by the March 2019-December 2022 Extension Payments, the Late Penalty will be \$15,000 per day. On August 1, 2022, a \$25,000 payment was received. On August 31, 2022, a \$25,000 payment was received. On September 30, 2022, a \$25,000 payment was received. On October 31, 2022, a \$25,000 payment was received. On November 29, 2022, a \$25,000 payment was received. On December 13, 2022, NC Mutual and Schreiber entered into a Seventeenth Amendment to the October 17, 2018 Settlement Agreement whereby Schreiber agreed to make a \$25,000 penalty payment not later than December 30, 2022, and four additional

payments, each in the amount of \$25,000 by January 31, 2023, February 28, 2023, March 31, 2023 and April 28, 2023, respectively; and further agreed that the Initial Payment Date shall be deemed extended to 5:00 p.m. on May 31, 2023. The Seventeenth Amendment further provided that the January 2023-April 2023 Extension Payments, shall be applied to reduce the Settlement Amount from \$790,018 to \$690,018; however, in the event the Settlement Amount of \$690,018, (assuming timely payment of the December 30, 2022, Penalty Payment in the amount of \$25,000 and each of the January-April payments) is not indefeasibly paid in full by May 31, 2023, an addition to the Settlement Amount may not be reduced by the March 2019-May 2023 Extension Payments, the Late Penalty will be \$15,000 per day. On December 30, 2022, a \$25,000 payment was received. On April 13, 2023, NC Mutual and Schreiber entered into an Eighteenth Amendment to the October 17, 2018, Settlement Agreement whereby Schreiber agreed to make a Final Settlement Amount of \$365,018 no later than 5:00 p.m. on April 22, 2023. The Eighteenth Amendment provided that upon payment of the Settlement Amount of \$365,018 in full, that all obligations would be deemed fully satisfied and released and neither party having any continuing or future obligations. The payment was received on April 21, 2023, concluding all matters with Mr. Schreiber.

***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's 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.

***North Carolina Mutual Life Insurance Company v. Bradley Reifler, Case No. 17-35075; United States Bankruptcy Court, Southern District of New York***

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. NC Mutual filed a Motion for Summary Judgment on or about September 2, 2021. The motion was heard on September 20, 2021, in Pender County Superior Court. On September 20, 2021, the trial court entered an Order of Final Decree finding that Joseph S. Mitchell, Jr., died on August 16, 2018; and, granted NC Mutual's Motion for Summary Judgment, which resulted in dismissal of all claims against NC Mutual with prejudice.

***North Carolina Mutual Life Insurance Company v. Steven Fickes, Case No. 1:22-cv-501, United States District Court, Middle District of North Carolina***

On June 30, 2022, NC Mutual filed suit against Steven Fickes for his role in the improper transfer of more than \$34 million of NC Mutual's assets to and through Mr. Reifler and his Forefront companies, discussed above. The complaint alleges the following causes of action: fraud, negligent misrepresentation; RICO Act violations, unfair and deceptive trade practices, civil conspiracy, breach of contract, unjust enrichment, and piercing the corporate veil.

On September 6, 2022, Fickes moved to dismiss the action and compel NC Mutual to litigate its claims against him in arbitration. On September 27, 2022, NC Mutual responded to Fickes' motion and agreed to arbitrate its claims against Fickes in order to preserve the company's resources. NC Mutual asked the Court to stay this matter while the parties pursue arbitration. On October 4, 2022, Fickes replied in support of his motion seeking dismissal of the action.

On October 10, 2023, the Court granted Fickes' Motion to Compel Arbitration and compelled NC Mutual's claims against Fickes to be heard in arbitration.

***Levolyre F. Pitt v. North Carolina Mutual Life Insurance Company; Superior Court, Wilson County, North Carolina***

On May 17, 2023, the Plaintiff filed an action seeking a court decree that Plaintiff owns title to certain property previously owned by NC Mutual through adverse possession. Defendant NC Mutual filed a Motion to Dismiss Complaint or in the alternative Motion for Change of Venue and a Motion to Dispense with Mediated Settlement Conference. On February 2, 2024, the Motion to Dispense with Mediated Settlement Conference was granted, and the Court transferred the action to Superior Court of Wake County for all further proceedings. On March 22, 2024, Plaintiff dismissed the action without prejudice.

#### **OTHER MATTERS**

- The Receiver purchased a one-year extended reporting period on NC Mutual's expired Directors & Officers insurance policy in 2019. On November 15, 2019, the Receiver filed a notice of claim under the Directors & Officers insurance policy. This claim remains open.
- Pursuant to the Moratorium Order, the Receiver 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. With the Liquidation Order, the moratorium was lifted effective October 31, 2022.
- In accordance with the Moratorium Order, the Receiver 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 petitioned for payment under claims of legitimate hardship. NC Mutual received and evaluated claims of hardship on a case-by-case basis. Through October 31, 2022, the Receiver had received 960 hardship requests and closed 943 of such requests. With the Liquidation Order, claims of hardship are no longer necessary to be requested.
- The Receiver 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, and \$615,499 on April 14, 2020, \$71,499 on September 30, 2020, \$71,499 on October 31, 2020, \$71,499 on January 1, 2021, \$56,470 on April 30, 2021, \$67,115 on July 15, 2021, \$47,953 on September 30, 2021, and \$67,115 on October 15, 2021. On September 30, 2022, the contribution for the 2021 plan year was made totaling \$108,659. The Receiver is currently working with the Pension Benefit Guaranty Corporation to transfer NC Mutual's pension obligations.
- 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 Receiver 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 staff continues to work from home.
- On March 27, 2019, in accordance with NC Mutual's bylaws, the Receiver 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.
- On September 4, 2021, Mike Causey, Commissioner of Insurance of North Carolina and Receiver of NC Mutual, filed a Verified Petition for an Order of Liquidation against NC Mutual, Petition Seeking Injunctive Relief and Approval of Service Agreement and Early Access Agreement in the Wake County Superior Court. On October 11, 2022, the Court entered an Order of Liquidation, with an effective date of October 31, 2022, and appointed the Commissioner of Insurance for the State of North Carolina as Liquidator.

**INTRODUCTION TO NORTH CAROLINA MUTUAL LIFE INSURANCE COMPANY**  
**FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2024**

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, and in liquidation effective October 31, 2022. NC Mutual is under the control of the Commissioner of Insurance of the State of North Carolina, who is the Receiver of NC Mutual. It is the Receiver'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 Receiver, as of June 30, 2024. The financial statements have been prepared using the liquidation basis of accounting.

**NORTH CAROLINA MUTUAL LIFE INSURANCE COMPANY**  
**NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER**  
**Statement of Financial Position**  
**As of June 30, 2024**

**Assets**

Cash and Cash Equivalents	(Note A)	\$ 67,530,725
Bonds	(Note B)	555,489
Common Stock	(Note C)	9,727
Real Estate	(Note D)	9,426
Contract Loans		1,577,143
Other Assets	(Note E)	48,484
Inv't income - Due & Accrued	(Note F)	67,651
Reinsurance Ceded Receivable		174,666
Net CSV Officers Insurance Receivable	(Note G)	970,920
Advance to Guaranty Association	(Note H)	8,433,455
Prepaid Rent		34,653
<b>Total Assets</b>		<b><u>79,412,339</u></b>

**Liabilities**

Class 1 and 2 Liabilities		
Claims Against the Estate-Policyholders	(Note I)	94,496
Claims Against the Estate-Guaranty Associations	(Note J)	155,171,883
		<u>155,266,379</u>
Class 3 and Higher Liabilities		
Claims Against the Estate-Class 3 State & Local	(Note K)	3,256
Claims Against the Estate-Class 4 Employees		-
Claims Against the Estate-Class 5 General	(Note L)	1,364,751
		<u>1,368,007</u>
Account Payable Others, Net of Reinsurance	(Note M)	(11,514,673)
<b>Total Liabilities</b>		<b><u>145,119,713</u></b>
<b>Excess of Liabilities Over Assets</b>		<b><u>\$ (65,707,374)</u></b>

The financial statements should be read together with the notes to the financial statements which are considered to be an integral part of this statement.

**NORTH CAROLINA INSURANCE COMPANY**  
**NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER**  
**Statement of Receipts and Disbursements**

	For The Three Months Ended June 30, 2024	Cumulative From December 3, 2018 - June 30, 2024
<b>OPERATING ACTIVITIES</b>		
<b><u>Receipts</u></b>		
Premium Receipts	\$ -	\$ 10,931,108
Commission & Expense Allowances	952,737	22,356,537
Other Income	490,295	2,098,686
Guaranty Association Assessment Refund	-	-
<b>Total Receipts</b>	<b>1,443,032</b>	<b>35,386,331</b>
<b><u>Disbursements</u></b>		
Early Distribution to Guaranty Associations	497,193	5,156,271
Premiums Distribution to Guaranty Associations	1,289,208	8,876,484
<b><u>Policy Related Disbursements</u></b>		
Death Claims	(12,821)	7,599,423
Surrender Benefits	78,349	2,028,010
Disability Benefits	-	11,987
Others Reserves	(608)	157,766
	64,920	9,797,186
<b><u>General Expenses and Other</u></b>		
Personnel Expense	254,180	10,775,631
Rent and Occupancy	62,384	1,493,316
Actuarial Services	10,500	105,000
Legal Services	78,483	3,132,822
Consulting Services	154,674	3,422,879
Other Outside Consultants	68,623	1,443,326
Office Expenses	33,151	1,255,101
Furniture, Equipment and EDP	-	-
Travel Related Expenses	381	12,759
Taxes, Licenses, and Fees	5,125	395,372
Corporate Insurance	10,160	1,316,959
Data Processing & IT Security	70,331	1,588,576
Miscellaneous Expenses	17,828	312,702
	765,820	25,254,443
<b>Total Operating Disbursements</b>	<b>830,740</b>	<b>35,051,629</b>
<b>Net Cash Used in Operating Activities</b>	<b>(1,174,109)</b>	<b>(13,698,053)</b>

The financial statements should be read together with the notes to the financial statements which are considered to be an integral part of this statement.

	For The Three Months Ended June 30, 2024	Cumulative From December 3, 2018 - June 30, 2024
<b>INVESTING ACTIVITIES</b>		
Net (Purchases)/Sales of Invested Assets	-	14,190,097
Net Investment Income	65,871	3,012,721
Other Investing Activities	-	(43,035)
<b>Net Cash Provided by Investing Activities</b>	<u>65,871</u>	<u>17,159,783</u>
<b>OTHER ACTIVITIES</b>		
Escheat Liability	-	706,586
Policy Loans, Net of Repayments	(17,694)	718,929
Officers Life Insurance Settlement	-	6,879,613
Reinsurance Settlements	(2,186,116)	39,972,876
Other Account Receivables	-	106,594
<b>Net Cash Provided by Other Activities</b>	<u>(2,203,810)</u>	<u>48,384,598</u>
<b>FINANCING ACTIVITIES</b>		
Guaranty Association Funding	1,683,580	14,157,019
Other Financing Activities	-	50,000
<b>Net Cash Used in Financing Activities</b>	<u>1,683,580</u>	<u>14,207,019</u>
<b>Net Change in Cash and Cash Equivalents</b>	(1,628,468)	66,053,347
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,628,468)	66,053,347
<b>Cash and Cash Equivalents at Beginning of Period</b>	<u>69,159,193</u>	<u>1,477,378</u>
<b>Cash and Cash Equivalents at End of Period</b>	<u>\$ 67,530,725</u>	<u>\$ 67,530,725</u>

The financial statements should be read together with the notes to the financial statements which are considered to be an integral part of this statement.



**NORTH CAROLINA INSURANCE COMPANY**  
**NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER**  
**Advances to Guaranty Associations**

<u>Description</u>	<u>Balance 12/31/2023</u>	<u>Advanced</u>	<u>Recovered</u>	<u>Balance 6/30/2024</u>
AL	506,603	171,396	-	677,999
AR	24,488	1,062	-	25,550
CA	143,896	6,072	-	149,968
DC	355,380	20,052	-	375,432
FL	128,752	7,062	-	135,814
GA	190,420	54,396	-	244,816
ID	1,546	36	-	1,582
IL	189,124	37,428	-	226,552
IN	8,977	1,248	-	10,225
KY	7,673	1,368	-	9,041
LA	19,919	3,294	-	23,213
MD	306,201	55,464	-	361,665
MI	224,433	50,196	-	274,629
MO	46,553	10,122	-	56,675
MS	38,135	7,602	-	45,737
NC	3,565,652	316,038	-	3,881,690
NJ	83,181	23,766	-	106,947
NV	1,429	576	-	2,005
OH	57,068	7,716	-	64,784
OK	34,831	666	-	35,497
PA	212,383	62,340	-	274,723
SC	249,723	48,204	-	297,927
TN	158,484	32,226	-	190,710
TX	275,619	9,000	-	284,619
VA	608,597	67,056	-	675,653
<b>Totals</b>	<b><u>7,439,069</u></b>	<b><u>994,386</u></b>	<b><u>-</u></b>	<b><u>8,433,455</u></b>

The financial statements should be read together with the notes to the financial statements which are considered to be an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS**

**Note A** - All cash and cash equivalents have a maturity of less than 1 year except as described below and are carried at cost, which equals market value.

		Maturity
Cash	3,816,121	
Money Market Funds - Statutory Deposit	3,611,165	
Money Market	13,236,768	
Invested Cash - Restricted Trust Account	46,866,671	< 18 Years
Total Cash and Cash Equivalents	67,530,725	

**Note B** – Bonds are carried at fair market value. All bonds are investment grade. Bonds and cash equivalents totaling \$4,153,659 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.

Statutory Deposits		
		Cash
State	Bonds	Equivalents
FL	-	1,148,564
GA	26,994	6,229
KY	-	463,997
MI	-	505,000
NC	-	-
NV	-	200,000
OH	103,914	62,035
OK	299,110	-
SC	-	186,750
TN	112,476	38,590
VA	-	1,000,000
	542,495	3,611,165

**Note C** –Common Stock is carried at fair market value. This represents common stock in a publicly held company. The Company has eighty-three shares of Prudential Financial Inc. stock.

**Note D** – Real Estate balance represents amounts carried at market value.

**Note E** – Other Assets represents Legal Retainers held with engaged attorneys.

NOTES TO FINANCIAL STATEMENTS

**Note F**– Investments Income-Due and Accrued represents the net interest due as detailed below:

Bonds	9,828
Net Policy Loans	<u>57,823</u>
	67,651

**Note G** –Net Cash Value- Officers Insurance Receivable represents life insurance policies, net of policy loans. These cover previous executives of the Company with a majority of the policies held by Northwestern Mutual Life Insurance Company.

**Note H** – The Advances to Guaranty Associations represents the collection of statutory deposit(s) of the Company by various state Guaranty Associations to cover policyholder claims. The Guaranty Associations will receive reimbursements on a pro-rata basis, and all accounts will be settled according to the final calculations approved by the court.

**Note I** –Claims Against the Estate-Class 2 Policyholders represents Class 2 claims for priority of distribution pursuant to N.C. Gen. Stat. §58-30-220.

**Note J** – Claims Against the Estate-Class 2 Guaranty Associations represents Class 2 claims for priority of distribution pursuant to N.C. Gen. Stat. §58-30-220.

**Note K** – Claims Against the Estate-Class 3 State & Local are amounts owed by the Company for unpaid premiums & municipal taxes at the time of the rehabilitation. These represent Class 3 claims for priority of distribution pursuant to N.C. Gen. Stat. §58-30-220. It is anticipated the assets of the estate will not be sufficient to pay these claims.

**Note L** – Claims Against the Estate-Class 5 General represent amounts the Company owes to all other vendors and credits. A majority of the balance is a run-off disability reinsurance agreement with Prudential Insurance Company terminated in 2010 for a total of \$ 1,285,088. These represent Class 5 claims for priority of distribution pursuant to N.C. Gen. Stat. §58-30-220. It is anticipated the assets of the estate will not be sufficient to pay these claims.

**Note M** – The 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

**NOTES TO FINANCIAL STATEMENTS**

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.

As of June 30, 2024, the Company held \$46,866,671 of cash and reported a net liability due to them for \$ 39,200,570 after netting their unpaid reinsurance statements.

As of June 30, 2024, the book value of the Ineligible Assets was \$72 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.

NOTES TO FINANCIAL STATEMENTS

<u>Ineligible Assets by Class</u>		
<u>Type</u>	<u>Amount</u>	<u>%</u>
Equities	\$ 13,349,912	19%
Promissory Notes	58,650,508	81%
	<u>\$ 72,000,420</u>	<u>100%</u>

The Company ceded a total of \$90,224,066 in reserves to Southland as of June 30, 2024. 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 \$51,023,496 Provision for Uncollectible Reinsurance Reserves for those reserves ceded to Southland in excess of the cash held by the Company as funds withheld.

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 Liquidator for North Carolina Mutual Life Insurance Company by the Commissioner of Insurance and Liquidator, that he has read the foregoing Statement of Financial Position as of June 30, 2024, and the Statement of Receipts and Disbursements for the three months ending June 30, 2024, and for the period from December 8, 2018, the date of rehabilitation, through June 30, 2024, and that the contents of same are true and correct to the best of his knowledge and belief.

This the 18<sup>th</sup> day of October, 2024.



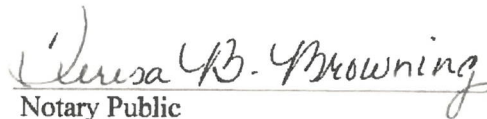
Deputy Commissioner of Insurance and  
Special Deputy Liquidator for  
North Carolina Mutual Life Insurance Company

NORTH CAROLINA

WAKE COUNTY

Sworn to and subscribed before me this

The 18<sup>th</sup> day of October, 2024.  
(Official Seal)



Notary Public

My Commission Expires:

