

STATE OF NORTH CAROLINA
WAKE COUNTY

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
FILE NO. 17 CVS 11692

NOTED - 2 P 3 04

MIKE CAUSEY,
COMMISSIONER OF INSURANCE
OF NORTH CAROLINA,

Petitioner,

v.

CANNON SURETY, LLC,
A North Carolina Limited Liability
Company,

Respondent.

REHABILITATOR'S
MONTHLY REPORT

NOW COMES the Commissioner of Insurance of North Carolina and Rehabilitator of Cannon Surety, LLC (Rehabilitator), and hereby makes this report pursuant to North Carolina General Statute § 58-30-80(b) and the Order of this Court dated January 2, 2018, which requires the Rehabilitator to make a monthly report to the Court including a statement of receipts and disbursements and a statement of financial position (balance sheet). Attached hereto and incorporated herein by reference as Exhibit A is the monthly report including the statement of financial position as of December 31, 2017, and the statement of receipts and disbursements of Cannon Surety, LLC for the period from September 28, 2017, the date of the execution of the Seizure Order, through December 31, 2017, as prepared by the Special Deputy Insurance Commissioner on behalf of the Rehabilitator.

This 2nd day of February, 2018.

JOSH STEIN
ATTORNEY GENERAL
Attorney for Petitioner

By: M. Denise Stanford

M. Denise Stanford
Special Deputy Attorney General
N.C. Department of Justice
P.O. Box 629
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(919) 716-6610
N.C. State Bar No. 17601
dstanford@ncdoj.gov

CERTIFICATE OF SERVICE

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

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

Dallas R. McClain
P.O. Box 7961
Greensboro, NC 27417

Steven A. McCloskey
240 Natalie Drive
Winston-Salem, NC 27104-2457

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 2nd day of February, 2018.

JOSH STEIN
ATTORNEY GENERAL

By: M. Denise Stanford

M. Denise Stanford
Special Deputy Attorney General
N.C. Department of Justice
P.O. Box 629
Raleigh, NC 27602-0629
Telephone: (919) 716-6610

CANNON SURETY, LLC

NORTH CAROLINA COMMISSIONER OF INSURANCE AS REHABILITATOR

MONTHLY REPORT

INCLUDING

A STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2017

AND

A STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE PERIOD FROM SEPTEMBER 28, 2017

THROUGH DECEMBER 31, 2017

INTRODUCTION

BACKGROUND

Cannon Surety, LLC (hereinafter, “Cannon”) was licensed by the North Carolina Department of Insurance (hereinafter, the “NCDOI”) on December 22, 2014, as a special purpose captive insurance company under Part 9 of Article 10 of Chapter 58 of the North Carolina General Statutes. On September 27, 2017, the Wake County Superior Court (hereinafter, the “Court”) issued a Seizure Order against Cannon. On January 2, 2018, the Court entered an Order of Rehabilitation against Cannon and appointed the Commissioner of Insurance for the State of North Carolina as Rehabilitator (hereinafter, the “Rehabilitator”).

PURPOSE OF THIS REPORT

The purpose of this report is to provide a monthly update to the Court, as required by the Order of Rehabilitation, on the work that the Rehabilitator and his staff have carried out since the issuance of the Seizure Order on September 27, 2017, to set out the present situation of Cannon, and to provide a statement of receipts and disbursements and a statement of financial condition (balance sheet). This is the Rehabilitator’s initial report.

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 Seizure 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 monthly reports as additional facts are discovered.

SUMMARY

GREENSBORO OFFICE

Cannon Furniture & Fixtures

- Financial statements previously filed with the NCDOT do not contain any assets titled as furniture and fixtures. While reviewing records of Cannon, receipts for various furniture and fixtures were found.
- On November 20, 2017, letters were sent to Mr. Dallas McClain, Mr. Mark Bibbs, Mr. Jeremy Brian Valentine on behalf of Piedmont Bail Services, LLC, and Mr. Jeremy Brian Valentine on behalf of All American Bail Bonds, LLC (hereinafter, "AABB"), asking each to provide to the NCDOT a list of any personal property, along with proof of ownership. To date, only Mr. Bibbs has provided a response. Mr. Bibbs, on December 5, 2017, replied via e-mail claiming ownership of items in his "law office located at Cannon" consisting of the following (no proof of ownership was provided):
 1. All items consisting of "my furniture, case files, client documents, books, journals, memos, deposition transcripts"; and
 2. His furniture which he listed as 3 items, the desk and office chair contained inside his locked personal office in the adjacent suite at the end of the hallway and his ball & claw antique desk with leather inlaid top in the lobby area adjoining his locked personal office.
- On December 5, 2017, an e-mail and a letter were sent to Mr. Robert Brawley asking him to provide the NCDOT with a list of any personal property, along with proof of ownership, for any of his personal property that may be located within Cannon's office. To date, no response has been received.
- On December 6, 2017, the NCDOT staff met Mr. Dallas McClain and Mr. Mark Bibbs at Cannon's office. Mr. McClain identified items within the office as either personal or Cannon's. Items were tagged based on Mr. McClain's representations. Mr. Bibbs was only allowed to take his case files, client documents, books, journals, memos and deposition transcripts as identified above. As for the ball and claw desk, Mr. McClain stated that it was not Mr. Bibbs' and that it belonged to another individual, Lyne Thompson.
- The Rehabilitator had a licensed auctioneer go through Cannon's office on December 27, 2017, and provide a valuation estimate of the fixed assets located within the office. In total, he estimated the value to be between \$4,500 and \$6,800.
- On January 22, 2018, and January 26, 2018, the Rehabilitator took inventory and tagged all assets located at Cannon's office located at 2303 W Meadowview Rd, suite 200, Greensboro, NC 27407.
- It is the intent of the Rehabilitator to request permission from the Court to auction and/or sell the items in Cannon's office if proper proof of ownership by a person or entity other than Cannon is not provided. The Rehabilitator needs to do this quickly in order to

liquidate the assets and to return the premises to the landlord. Based on Cannon's financial situation, it would not be financially prudent to incur the expense of moving and storing the items currently located in Cannon's office.

Lease

- Cannon does not have a lease for the office space occupied.
- The lease is in the name of AABB and was signed by Mr. Dallas McClain on behalf of AABB.
- An "office rental agreement" was executed between Cannon and AABB, and was signed by Mr. Dallas McClain on behalf of Cannon, and by Ms. Perla Lopez on behalf of AABB, wherein Cannon and AABB agreed that Cannon would pay the monthly rental amount and AABB would reimburse Cannon approximately 35%.
- The lease between AABB and the landlord, Security National Properties, did not allow for a sub-lease without the prior written consent of the landlord.
- Due to the limited amount of cash on hand, lease payments were not made by Cannon while under the Seizure Order for the months of October 2017, November 2017, December 2017, and January 2018.
- According to Cannon's records, it does not appear that AABB paid as promised for the months of October 2016 through September 2017. Total due to Cannon from AABB for amounts paid through September 2017, appears to be \$23,940.
- On January 12, 2018, Mr. Dallas McClain forwarded to the Rehabilitator via e-mail a "Notice of Lease Default - 3 - Day Notice to Pay or Quit" which he received from the landlord, Security National Properties. The Notice was dated December 28, 2017, and was addressed to AABB, LLC, attention: Dallas McClain.
- A copy of the Rehabilitation Order has been given to the landlord, Security National Properties.
- Staff of the Rehabilitator met with Mr. Jon Kirby, a representative of the landlord, and discussed the rehabilitation and the Rehabilitator's plan to vacate the space. Based on the conversation with Mr. Kirby, it appears that the landlord was not aware of the sub-lease between AABB and Cannon. Mr. Kirby stated that Security National Properties may have a lien against the personal property located in the office because of the unpaid rent.

BAIL BOND NOTICES OF FORFEITURE

Following the entry and execution of the Seizure Order, the Rehabilitator utilized the information from the database used by Cannon for the inventory of bond powers. As of October 1, 2017, the Rehabilitator began receiving Bond Forfeiture Notices for Cannon from Clerks of Court throughout North Carolina. The Rehabilitator created a database (hereinafter "Forfeitures Database") which combined information from the bond powers inventory, information provided from the Administrative Offices of the Court (hereinafter "AOC"), forfeitures received, and bond powers written through the date of the Seizure Order and submitted by bail agents to the Rehabilitator.

The Forfeitures Database tracks pertinent information from notices of forfeiture received and/or bond powers sent to the Rehabilitator and is utilized to prevent forfeitures from going to final judgment. Each day notices are entered, email notifications are generated that night and sent to the bail agent notifying the bail agent of notice(s) received and instructing the bail agent to act to set aside forfeitures in accordance with the procedures set forth in N.C. Gen. Stat. §15A-544.5, and to provide notification to the Rehabilitator that action has been taken.

The Forfeitures Database sends out a second notification 75 days before the date the judgment will become final from the NCDOJ's General Counsel reminding the bail agent that action needs to be taken to prevent the forfeiture(s) from going to final judgment and actions being taken against the agent's license if a final judgment occurs. If necessary, additional follow-up is taken 50 days before the date of final judgment by the NCDOJ's General Counsel.

In total, the Rehabilitator has received 1,524 notices of forfeiture, 1,423 from October 1 - December 31, 2017, and 101 in January 2018. The total face amount of these notices is \$2,353,251 of which \$1,076,501 is from the date of the Seizure Order through December 31, 2017, and \$1,276,750 in 2018. Of these outstanding bonds, the NCDOJ has confirmed that 92 cases have been set aside by the courts, motions to set aside have been filed by the bail agents in 58 cases, 7 cases have been satisfied by payment by the bail agent, and 6 cases have been otherwise discharged by the courts. In addition to communicating with bail agents regarding specific cases, NCDOJ's General Counsel has recently received access to the VCAP database administered by AOC, and has been steadily going through and updating the database with actions that have occurred since it was established in early November 2017. Finally, NCDOJ's General Counsel has been in regular contact with staff at AOC as well with numerous school board attorneys across the state regarding outstanding bond forfeitures.

BAIL BOND JUDGMENTS

As of December 31, 2017, Cannon has received 38 bail bond judgments since the issuance of the Seizure Order for a total dollar amount of \$293,219.77, including court costs, sheriff's fees and interest calculated through December 31, 2017. Amounts due by county are as follows:

| County | Number | Amount |
|---------------|---------------|---------------|
| Cabarrus | 2 | 3,293.40 |
| Cumberland | 8 | 91,972.20 |
| Davidson | 1 | 1,169.04 |
| Granville | 1 | \$0,282.35 |
| Guilford | 2 | 1,664.08 |
| Iredell | 8 | 128,664.40 |
| Mecklenburg | 1 | 5,124.70 |
| Onslow | 1 | 2,245.76 |
| Orange | 1 | 8,164.50 |

| | | |
|---------|---|-----------|
| Robeson | 2 | 2,831.69 |
| Sampson | 1 | 1,100.94 |
| Stokes | 1 | 1,152.10 |
| Union | 3 | 4,669.06 |
| Wake | 4 | 25,062.40 |
| Wayne | 1 | 2,117.88 |
| Wilson | 1 | 3,705.27 |

LAWSUITS

To the Rehabilitator's knowledge, at the time of the Seizure Order, Cannon was a plaintiff in the following lawsuits:

1. Premier Judicial Consultants, LLC, et al. v. Clyde Robert Brawley, Jr.; 16 CVS 7708; Guilford County Superior Court (Lawsuit has been transferred to Wake County Superior Court.)
2. Dallas McClain, et al. v. Mark Wayne Cartret, et al., 17 CVS 3831; Wake County Superior Court.

The files for each have been requested from the attorneys who have been handling these cases. It is the intent of the Rehabilitator to have his own attorneys review the files to determine the merit of continuing the lawsuits.

In addition, the Rehabilitator is seeking to determine whether there are additional lawsuits in which Cannon is involved.

COLLECTIONS

Because of the bail bond judgments against Cannon, the Rehabilitator is actively engaged in recovering monies from the bail agents who wrote the bail bonds as well as others who may have contractually agreed to indemnify Cannon in the event of a bail bond judgment. It is anticipated that lawsuits may be filed against these persons. In addition, the Rehabilitator is seeking to determine whether additional lawsuits are necessary to assert Cannon's rights against third parties.

CONTINUATION OF BUSINESS

It does not appear to the Rehabilitator that Cannon can be revitalized or reformed. A final decision as to the course of action to take with Cannon has not yet been determined.

OTHER

Tax Returns

The Rehabilitator is currently in the process of determining who will be preparing and filing the tax returns for Cannon and how it will be paid for.

1099's

Cannon is required by the Internal Revenue Service (hereinafter "IRS") to utilize Form 1099-MISC to submit information for income paid to independent contractors. Failure to file this form can result in significant fines from the IRS. The Rehabilitator mailed 1099's on January 31, 2018, to all known vendors and/or persons required to receive a Form 1099-MISC.

W-2s

As an employer who withheld payroll taxes in 2017, Cannon is required by the IRS to prepare and mail out W-2s to former employees and to report to the IRS. The Rehabilitator performed this task and mailed W-2s to former employees on January 30, 2018, however, it has been determined that, despite withholding payroll taxes, Cannon did not remit the withheld payroll taxes to the IRS. The Rehabilitator has not yet determined if this is only for 2017 or for all years of operation.

Audit

It has been the practice for the Rehabilitator of other insurance company receiverships to have an audit performed by an outside certified public accountant, the cost of which is borne by the company upon whom the audit was performed. With Cannon, there is limited cash with which to perform an audit and to pay other administrative expenses expected to be incurred. It is the intent of the Rehabilitator to not have an independent audit performed unless otherwise instructed by the Court.

Disbursements

During the period from September 28, 2017, the date of the Seizure Order, through December 31, 2017, the Rehabilitator has paid out, other than for bank service charges, \$23,491. This amount was paid to the North Carolina Department of Revenue for interest due for 2015 premium tax of \$616, premium tax for 2016 of \$22,218 and interest due for 2016 premium tax of \$657. The Rehabilitator negotiated with the North Carolina Department of Revenue to have the penalties for 2015 and 2016 waived in the amount of \$18,752.

Guilford County Register of Deeds

A copy of the Order of Rehabilitation was filed with the Guilford County Register of Deeds on January 22, 2018.

INTRODUCTION TO CANNON SURETY, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2017

Introduction and Basis of Presentation: Cannon Surety, LLC (Company) is a North Carolina domiciled captive insurance company that was placed into rehabilitation by the Wake County Superior Court on January 2, 2018. The Company is under the control of the Commissioner of Insurance of the State of North Carolina, who is the Rehabilitator of the Company. It is the Rehabilitator's responsibility to take possession of the assets of the insurer and to administer them under the general supervision of the Court.

The accompanying statement of financial position reflects general ledger balances of the Company as of December 31, 2017, adjusted to reflect circumstances currently known to the Rehabilitator. Amounts may be further adjusted prospectively as deemed appropriate based on the Rehabilitator's continued investigation. Financial statements were not regularly prepared by the Company so the amounts reflected on the statement of financial position represent the Rehabilitator's best estimate, as explained in the accompanying notes, of the Company's assets and liabilities as of December 31, 2017. The accompanying statement of receipts and disbursements presents all actual cash receipts and disbursements for the period from September 28, 2017, the date of the execution of the Seizure Order, through December 31, 2017.

CANNON SURETY, LLC. IN REHABILITATION
NORTH CAROLINA COMMISSIONER OF INSURANCE AS REHABILITATOR
Statement of Financial Position
As of December 31, 2017

Assets

| | | | |
|--|----------|----|---------------------|
| Cash and Cash Equivalents | (Note A) | \$ | 26,450 |
| Cash and Cash Equivalents - Restricted | (Note A) | | 990,397 |
| Accounts Receivable | (Note B) | | 49,050 |
| Other Restricted Assets: | (Note C) | | |
| Build Up Fund | | | 414,581 |
| Collateral Account | | | 4,110 |
| Other Assets | (Note D) | | 2,000 |
| | | | Total Assets |
| | | \$ | 1,486,588 |

Liabilities

| | | | |
|---|----------|----|--------------------------|
| Reserve for Loss and Loss Adjustment Expenses | (Note E) | \$ | 200,000 |
| Payable to Clerks of Court | (Note F) | | 289,880 |
| Expenses Payable | (Note G) | | 365,871 |
| Other Liabilities | (Note H) | | 418,691 |
| | | | Total Liabilities |
| | | | 1,274,442 |

Surplus

| | | | |
|--|----------|----|------------------|
| Excess of Assets (Unrestricted and Restricted) Over Liabilities | (Note I) | \$ | 212,146 |
| Deficiency of Assets (Unrestricted) Over Liabilities (Excluding Other Liabilities) | | \$ | (778,251) |

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

CANNON SURETY, LLC. IN REHABILITATION
NORTH CAROLINA COMMISSIONER OF INSURANCE AS REHABILITATOR
Statement of Receipts and Disbursements

| | For the Period | Cumulative |
|--|--------------------------|----------------------------|
| | September 28, 2017- | For the Period |
| | <u>December 31, 2017</u> | <u>September 28, 2017-</u> |
| | | <u>December 31, 2017</u> |
| OPERATING ACTIVITIES | | |
| <u>Receipts</u> | | |
| Premium Receipts | (Note J) 23,844 | 23,844 |
| Sale of Fixed Assets | 0 | 0 |
| Recovery of Bad Debt | 0 | 0 |
| Tax Recovered | 0 | 0 |
| Miscellaneous Receipts | 0 | 0 |
| Total Receipts | <u>23,844</u> | <u>23,844</u> |
| <u>Disbursements</u> | | |
| <u>Policy Related Disbursements</u> | | |
| Loss and Loss Adjustment Expenses | 0 | 0 |
| Court Costs | 0 | 0 |
| Interest Expense on Judgements | 0 | 0 |
| Total Policy Related Disbursements | <u>0</u> | <u>0</u> |
| <u>General Expenses and Other</u> | | |
| | (Note K) | |
| Personnel Expenses | 0 | 0 |
| Rent and Occupancy | 0 | 0 |
| Accounting Fees | 0 | 0 |
| Actuarial Fees | 0 | 0 |
| Legal Fees | 0 | 0 |
| Consulting Fees | 0 | 0 |
| Office Expenses | 0 | 0 |
| Furniture, EDP & Equipment Expense | 0 | 0 |
| Travel | 0 | 0 |
| Claims and Underwriting Admin Fees | 0 | 0 |

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

| | | |
|---|---------------------|------------------|
| Bank Fees | 423 | 423 |
| Taxes, Licenses and Fees | 23,491 | 23,491 |
| Miscellaneous Expense | 5 | 5 |
| | <u>23,919</u> | <u>23,919</u> |
| Total Operating Disbursements | <u>23,919</u> | <u>23,919</u> |
| Net Cash Provided by Operating Activities | <u>(76)</u> | <u>(76)</u> |
| INVESTING ACTIVITIES | | |
| Net (Purchases) Sales of Invested Assets | 0 | 0 |
| Net Investment Income | 4,016 | 4,016 |
| Net Cash Provided by Investing Activities | <u>4,016</u> | <u>4,016</u> |
| OTHER | | |
| Misc Receipts | 0 | 0 |
| Change in Deposit | 0 | 0 |
| Escheat Liability | 0 | 0 |
| Net Cash Provided by Other | <u>0</u> | <u>0</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 3,940 | 3,940 |
| Cash and Cash Equivalents at Beginning of Period | <u>1,012,907</u> | <u>1,012,907</u> |
| Cash and Cash Equivalents at End of Period | <u>\$ 1,016,847</u> | <u>1,016,847</u> |

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

NOTES TO FINANCIAL STATEMENTS

Note A: All Cash and Cash Equivalents are comprised of the checking accounts originally established by the Company and now under the control of the Rehabilitator.

All Cash and Cash Equivalents – Restricted are comprised of cash and cash equivalents with a maturity of less than 1 year and are carried at cost which approximates market value. This amount is currently on deposit with the North Carolina Department of Insurance (“Department”) in an interest-bearing account. These funds were required to be placed on deposit with the Department as part of the terms of licensure, and can only be used for the payment of bail bond judgments. According to N.C. Gen. Stat. §58-5-63(b), if a payment has been made from the deposit held by the Department, the Commissioner may require the Company to deposit the amount paid out.

Note B: The components of Accounts Receivable are as follows:

| | |
|-------------------------------|---------------|
| Premiums due from Agents | 25,110 |
| Receivable from AABB for Rent | <u>23,940</u> |
| Total | \$ 49,050 |

Note C: Restricted assets are comprised of cash and cash equivalents with a maturity of less than 1 year and are carried at cost which approximates market value. The Build Up Fund (“BUF”) represents 78 individual accounts under the control of the Company to be used to indemnify the Company for losses and any other agreed-upon costs related to a bail bond executed by a bail bond agent. There is a corresponding liability account offsetting the asset (see Note H). The Collateral Account represents funds placed on deposit to secure specific bail bonds. There is a corresponding liability account as the funds may be returned upon resolution of the case for which the collateral was taken (see Note H).

Note D: Other Assets represents funds deposited with the landlord for office rental. The Company was not a party to the lease agreement and it appears may not be party to a valid sublease agreement and therefore may not be able to recover the amount placed as a security deposit.

Note E: Reserves for Loss and Loss Adjustment Expenses represents an estimate of potential amounts for bonds which may go to judgment. This amount was not derived from an actuarial analysis. The Company failed to obtain a Statement of Actuarial Opinion for the year-ended December 31, 2016, as required by N.C. Gen. Stat. 58-10-415(e). The Rehabilitator has estimated this amount based on the major risks to the Company which are late reporting and payment on a bail bond that does

NOTES TO FINANCIAL STATEMENTS

not have adequate collateralization and underlying BUF or other protection. The Rehabilitator has observed, since the date of the Supervision Order, all the above risks.

Note F: Payable to Clerks of Court represent bond forfeitures which a final judgement has been entered by the courts and for which the Company is liable for payment. The amount reported includes \$285,051 of the total face amount of the bonds, \$3,340 of court costs, \$4,334 of interest, and \$495 of sheriff's fees as of December 31, 2017. Interest continues to accrue until the judgment is satisfied. The Rehabilitator intends to vigorously pursue collection of the amounts from the bail agent and any other person who agreed to indemnify the Company from loss. Collection of amounts due is unknown and uncertain and as such, no receivable for this item has been established.

Note G: The components of Expenses Payable are as follows:

| | |
|---|--------------|
| Legal Fees | \$235,594 |
| Accrued Interest on Certificate of Contribution | 70,714 |
| Payroll Taxes Unpaid | 47,560 |
| Rent | 20,520 |
| Accrued Payroll & Payroll Taxes | 3,366 |
| General Expenses | <u>1,955</u> |
| Total | \$365,871 |

Accrued interest on the Certificate of Contribution is an approximate amount. The Rehabilitator is in the process of reviewing records to determine the exact amount due.

The liability for rent has not yet been determined since the Company occupied the office space but the lease was in the name of AABB. The amount is included in order to be conservative.

Note H: The components of Other Liabilities are as follows:

| | |
|-----------------|--------------|
| Build Up Funds | \$ 414,581 |
| Collateral Held | <u>4,110</u> |
| Total | \$ 418,691 |

Note I: On December 16, 2015, the Company entered into a Certificate of Contribution ("Certificate") with a related party in the amount of \$700,000. According to the

NOTES TO FINANCIAL STATEMENTS

terms of the Certificate, the obligation evidenced by the Certificate is not a liability or claim against the Company except to the extent the principal sum is due in whole or in part in accordance with certain provisions of the Certificate. As of December 31, 2017, the principal amount is not due and is recorded as surplus. As of December 31, 2017, the principal balance of the Certificate is \$630,419.

Note J: The amount of Premium Receipts represents funds received from bail agents following the date of the Seizure Order.

Note K: During the period, the Rehabilitator paid:

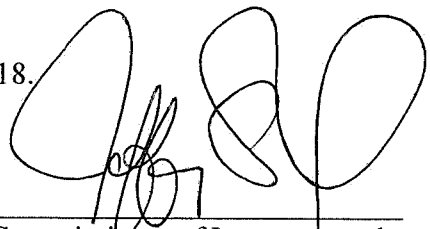
- \$22,875 to the NC Department of Revenue for 2016 Premium Tax and Interest;
- \$616 to the NC Department of Revenue for interest on 2015 Premium Tax; and
- \$423 for bank fees.

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 Insurance Commissioner of Cannon Surety, LLC by the Commissioner of Insurance and Rehabilitator, that he has read the foregoing Statement of Financial Position as of December 31, 2017, and the Statement of Receipts and Disbursements for the period September 28, 2017, the date of the Seizure Order, through December 31, 2017, and that the contents of same are true and correct to the best of his knowledge and belief.

This the 2nd day of FEBRUARY, 2018.



Deputy Commissioner of Insurance and
Special Deputy Insurance Commissioner for
Cannon Surety, LLC

NORTH CAROLINA
WAKE COUNTY

Sworn to and subscribed before me this

the 2nd day of February, 2018.



Diodace B. Muhavi
Notary Public

My Commission Expires:
9/28/22