NORTH CAROLINA

WAKE COUNTY

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
17 CVS 11692-910

MIKE CAUSEY, COMMISSIONER OF INSURANCE OF NORTH CAROLINA, Petitioner, v. CANNON SURETY, LLC, A North Carolina Limited Liability Company, Respondent.	)	LIQUIDATOR'S QUARTERLY COURT REPORT

NOW COMES the Commissioner of Insurance of North Carolina and Liquidator of Cannon Surety, LLC (Liquidator), and hereby makes this report pursuant to North Carolina General Statute § 58-30-80(b) and the Order of this Court dated November 6, 2025, which requires the Liquidator to make a quarterly report to the Court including a statement of receipts and disbursements to date and a statement of financial position (balance sheet). Attached hereto and incorporated herein by reference as Exhibit A, is the statement of financial position as of September 30, 2026, and the statement of receipts and disbursements of Cannon Surety, LLC, for the three months ending September 30, 2026, and for the period from September 27, 2017, the date of the execution of the Seizure Order, through September 30, 2026, as prepared by the Special Deputy Insurance Commissioner on behalf of the Liquidator.

This the 10th day of November 2026.

JEFF JACKSON
ATTORNEY GENERAL
Attorney for Petitioner,

/s/M. Denise Stanford
M. Denise Stanford
Special Deputy Attorney General
N. C. State Bar No. 17601
N. C. Department of Justice
P. O. Box 629
Raleigh, NC 27602-0629
(919) 716-6610
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Electronically Filed Date: 11/10/2026 4:09 PM Wake County Clerk of Superior Court

CERTIFICATE OF SERVICE

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

Honorable A. Graham Shirley, II
Wake County Superior Court
Post Office Box 351
Raleigh, NC 27602-0351
kellie.z.myers@nccourts.org

Estate of Dallas R. McClain
Marion "Beth" McQuaid, Esq.
Ivey & Eggleston, Attorneys
620 Green Valley Rd, Ste. 307
Greensboro, NC 27408
bethm@iveyeggleston.com

Margot Lanier McClain as Administrator of the Estate of Dallas R. McClain
521 Church St.
Gibsonville, NC 27249
mlmcclai92@gmail.com

Richard W. Forrester
612 W. Friendly Ave.
Greensboro, NC 27401
rick@forresterlawfirm.com

C. Robert Brawley, Jr.
1030 Oak Ridge Farm Hwy
Mooresville, NC 28115
crobertb01@gmail.com

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

(xx) by electronic mail as set out above.

This the 10th day of November 2026.

JEFF JACKSON
ATTORNEY GENERAL

By: /s/M. Denise Stanford

M. Denise Stanford
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CANNON SURETY, LLC

NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER

QUARTERLY REPORT OF ACTIVITY OF RECEIVER

A STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2026

AND

A STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE PERIOD FROM SEPTEMBER 27, 2017

THROUGH SEPTEMBER 30, 2026

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"). On January 31, 2020, the court issued a Second Order Amending Order of Rehabilitation changing Rehabilitator's reporting requirements to the Court from monthly to quarterly. On December 20, 2021, counsel for the Rehabilitator and NCDOI staff appeared at the court's request and provided a status report on the Rehabilitation. On January 27, 2022, the court issued a Third Order Amending Order of Rehabilitation changing Rehabilitator's reporting requirements to the Court from quarterly to biannually. On November 6, 2025, the Court entered an Order of Liquidation and appointed the Commissioner of Insurance for the State of North Carolina as Liquidator (hereinafter, the "Liquidator"). Per the Order of Liquidation, the reporting requirements are now quarterly. The Commissioner of Insurance of the State of North Carolina, in his capacity as Rehabilitator and Liquidator of Cannon Surety, LLC, is hereinafter referred to as Receiver.

PURPOSE OF THIS REPORT

The purpose of this report is to provide an update to the Court, as required by the Orders of Rehabilitation and Liquidation, on the work that the Receiver 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 financial position (balance sheet) as of September 30, 2026, and a statement of receipts and disbursements for the period from September 27, 2017 through September 30, 2026.

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 Seizure Order. 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 quarterly reports as additional facts are discovered.

SUMMARY

GREENSBORO OFFICE

Cannon Personal Property

- Financial statements previously filed with the NCDOI do not contain any assets titled as personal property, however numerous items of personal property were located at Cannon's office. While reviewing records of Cannon, receipts for various items of personal property were found.
- On February 6, 2018, the Receiver filed a motion to sell property seeking permission from the Court to sell through public auction the property located in the offices of Cannon.
- On February 28, 2018, all property located in Cannon's office was moved and placed into storage. On May 15, 2018, the Receiver received a bill for $5,500 from the company that moved and stored the contents of Cannon's office.
- The motion to sell property was heard on March 21, 2018. Affidavits of Dallas McClain and Lanier McClain, disputing ownership of certain items, were submitted to the Court. The Court granted the Receiver's motion to sell all property not in dispute. The Order was issued on April 18, 2018. As directed by the Court, the parties negotiated a resolution regarding the ownership of disputed property and a Joint Report of Agreement on Receiver's Motion to Sell Property was filed on May 18, 2018. The Receiver worked with a licensed auctioneer to sell the property not in dispute. The auction was held on May 25, 2018, in High Point, North Carolina. All items, other than electronics, were either sold or disposed of on that date. Proceeds from the sale were applied to the moving and storage bill. The net proceeds from the sale were $192 after deducting advertising expenses and the auctioneer's commission of $211. Disposal fees for items not sold during the auction was $250.

Lease

- On March 1, 2018, the Receiver notified the landlord via e-mail that the office has been vacated.
- On April 4, 2018, counsel for the Receiver sent a demand letter to All American Bail Bonds LLC ("AABB") for payment of rent due to Cannon. By letter dated May 2, 2018, Jeremy Valentine, on behalf of AABB, responded that AABB could not afford to pay Cannon for rent and had vacated the premises prior to the seizure. On December 14, 2018, the Receiver, on behalf of Cannon, filed a complaint against AABB. The complaint sought reimbursement from AABB for monthly lease payments made by Cannon for AABB under the Office Rental Agreement entered into between Cannon and AABB. On May 21, 2019, the Receiver, on behalf of Cannon, filed a Motion for Entry of Default against AABB. The Motion for Entry of Default was granted on October 28, 2019. On June 29, 2023, the Receiver, on behalf of Cannon, filed Plaintiff's Motion for Judgment by Default. The Court granted an Order for Default Judgment which was filed on December 27, 2023, but the ability to collect or enforce the judgment remains uncertain.

BAIL BOND NOTICES OF FORFEITURE

Following the entry and execution of the Seizure Order, the Receiver 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 Receiver 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 Receiver.

The Forfeitures Database tracks pertinent information from notices of forfeiture received and/or bond powers sent to the Receiver 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 Receiver that action has been taken.

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

In total, the Receiver has received 2,149 notices of forfeiture, with a total face value amount of $16,396,202. Of these outstanding bonds, the NCDOI has confirmed that 1,943 cases have been disposed of with a total face value of $14,353,181 (1,342 cases have been set aside by the courts, 182 cases have been satisfied by payment by the bail agent, and 419 cases have been otherwise discharged by the courts). There are 206 active judgments, with a total face value of $2,043,021. During the proof of claim filing period, a bond forfeiture sanction of $5,000 was received for a case in Wake County.

In addition to communicating with bail agents regarding specific cases, NCDOI's General Counsel has 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, NCDOI's General Counsel has been in regular contact with staff at AOC as well as with numerous school board attorneys across the state regarding outstanding bond forfeitures. Demand letters seeking payment of outstanding judgments have been sent to Cannon agents with Cannon agent agreements whose bail bondsman licenses have lapsed.

BAIL BOND JUDGMENTS

As of September 30, 2026, Cannon has 206 active judgments for a total face amount of $2,043,021 In addition, $13,780 of court costs, $1,315,315 of interest and $135 of sheriff's fees have been incurred as a result of these judgments.

Interest continues to accrue until the judgments are satisfied. On December 14, 2018, the Receiver, on behalf of Cannon, filed suit against AABB seeking payment, pursuant to the agent agreement between Cannon and AABB, of any and all sums necessary to fully satisfy all bond forfeiture judgments existing on bonds written by AABB's sub-agents that were issued using Cannon Powers of Attorney. The Rehabilitator intended to pursue collection of the amounts from the bail agents and any other person who agreed to indemnify the Company from loss. However, due to the lack of agent agreements indemnifying the Company from loss, the Receiver, on behalf of Cannon, has been unable to pursue collections. As such, collection of amounts due is doubtful and uncertain and as such, no receivable has been established.

The Receiver previously notified the Bail Bond Regulatory Division of NCDOI that bail agents had unpaid or unresolved bail bond forfeiture judgments that were written on Cannon bond powers of attorney. This appeared to be a violation of certain provisions of Article 71 of Chapter 58 of the North Carolina General Statutes. The Bail Bond Regulatory Division has met with Cannon agents with active licenses who have outstanding bond forfeiture judgments to determine how those outstanding judgments can be paid or resolved. Those meetings resulted in payments on, or remittances and set asides of bond forfeiture judgments totaling approximately $110,000.00.

LAWSUITS

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

Premier Judicial Consultants, LLC, et al. v. Clyde Robert Brawley, Jr., 17 CVS 13352; Wake County Superior Court

On February 23, 2018, Mr. Bibbs filed a motion to withdraw as counsel for Cannon and Premier.

On February 28, 2018, Daniel S. Johnson, Special Deputy Attorney General, M. Denise Stanford, Special Deputy Attorney General, and Heather H. Freeman, Assistant Attorney General, filed a notice of appearance as counsel of record for Cannon.

The motion to withdraw was heard on March 21, 2018, and the Court granted and signed the Order allowing Mr. Bibbs to withdraw.

On May 7, 2018, attorneys Donald Vaughn and Richard Forrester were notified that their services as counsel for Cannon in this action have been terminated.

On May 23, 2018, a Consent Case Management Order was transmitted to the Trial Court Administrator for Wake County Superior Court.

Counsel for all parties discussed the status of the litigation, a request to the Wake County Senior Resident Superior Court Judge Ridgeway for a 2.2 designation, and the potential for resolving the matter by stipulations of voluntary dismissal.

On April 3, 2019, a Stipulation of Voluntary Dismissal Without Prejudice between Cannon and Brawley was filed in Wake County Superior Court.

On July 19, 2019, the Court granted Defendant Brawley's Motion for Summary Judgment and dismissed each of PJC's claims against him with prejudice.

Dallas McClain, et al. v. Mark Wayne Cartret, et al., 17 CVS 3831; Wake County Superior Court

On April 30, 2018, Daniel S. Johnson, Special Deputy Attorney General, M. Denise Stanford, Special Deputy Attorney General, and Heather H. Freeman, Assistant Attorney General, filed a notice of appearance as counsel of record for Cannon.

On May 7, 2018, attorney G. Grady Richardson, Jr. was notified that his services as counsel for Cannon in this action had been terminated.

This case was set for trial during the week of September 17, 2018. On August 13, 2018, Cannon filed a Motion to Continue, a Motion for Local Rule 2.2 Designation of Presiding Judge, and a Motion for Partial Summary Judgment. On August 17, 2018, Defendant Clyde Robert Brawley, Jr. filed a Motion for Partial Summary Judgment. On September 12, 2018, Cannon and Defendants Mark Cartret, North State Holdings Group, LLC, Agents Associates Insurance, LLC, and Clyde Robert Brawley filed a Stipulation of Voluntary Dismissal Without Prejudice for all claims between those parties. On September 12, 2018, Cannon filed a Voluntary Dismissal Without Prejudice of its claims against Defendants Ronald Pierce and Piedmont Disaster Services, LLC. The case was assigned to Judge Shirley and removed from the September 17, 2018, trial calendar. On December 12, 2018, Cannon filed its Motions to Dismiss, Motion to Strike Pleading and Reply to Defendants Ronald L. Pierce's and Piedmont Disaster Services, LLC's counterclaims. On March 19, 2019, Cannon filed a Stipulation of Voluntary Dismissal Without Prejudice as to Claims Between Cannon, Pierce, and Piedmont Disaster Services, LLC.

County of Catawba v. Ashley M. Whitener and Cannon Surety, LLC, 26CV003281-170; Catawba County District Court

By summons and complaint dated July 22, 2026, the County of Catawba commenced an action against defendant Ashley M. Whitener for taxes and interest claimed to be due and owing to the County of Catawba. Plaintiff claimed that by operation of Section 105-356 of the North Carolina General Statutes the amounts due and owing for taxes and interest constituted a first lien on Ashley M. Whitener's real property. Cannon Surety, LLC was sued as a defendant along with another defendant, Piper's Ridge Owner's Association. Cannon Surety, LLC was sued because of a Deed of Trust dated March 5, 2017, in favor of Cannon Surety, LLC, and defendant Piper's Ridge Owner's Association was sued based on a restrictive covenant. Cannon Surety, LLC issued a certificate of satisfaction terminating the effectiveness and extinguishing the Deed of Trust. Cannon Surety, LLC filed the Certificate of Satisfaction on the land records and sent notice to Defendant Ashley M. Whitener and Plaintiff, County of Catawba. On September 15, 2026, Plaintiff Catawba County pursuant to N.C. Gen. Stat. § 1A-1, Rule 41 dismissed the lawsuit against Cannon Surety, LLC with prejudice.

As a result of this action, the Receiver researched and found additional Deeds of Trust in favor of Cannon Surety, LLC. Subsequently, certificates of satisfaction were also filed terminating the effectiveness and extinguishing the Deeds of Trust as well as providing notice to the original grantor(s) in various counties.

COLLECTIONS

On December 14, 2018, the Receiver, on behalf of Cannon, filed suit against AABB seeking payment for rent owed under an office rental agreement and for payment, pursuant to the agent agreement between Cannon and AABB, of any and all sums necessary to fully satisfy all bond forfeiture judgments existing on bonds written by AABB's sub-agents that were issued using Cannon Powers of Attorney. On October 28, 2019, the court entered an entry of default against AABB as a result of their failure to answer or otherwise respond to the complaint. Counsel for Cannon in this matter has been reviewing documentation in an effort to identify bond forfeiture judgments for which AABB is liable to Cannon under its agent agreement. The lack of documentation between Cannon and AABB has made this difficult to determine.

Demand letters have been sent to a number of bail agents with Cannon agent agreements in which the bail agent agreed to indemnify Cannon from loss. These initial demand letters resulted in the payment of $1,203.05 by a bail agent on their bond forfeiture judgment. Additional bail agents with Cannon agent agreements have been identified, and additional demand letters have been sent. There have been no additional payments as a result of these letters.

On April 4, 2018, counsel for the Receiver sent a demand letter to AABB for payment of rent due to Cannon. By letter dated May 2, 2018, Jeremy Valentine, on behalf of AABB, responded that AABB could not afford to pay Cannon for rent and had vacated the premises prior to the seizure. On December 14, 2018, the Receiver, on behalf of Cannon, filed a complaint against AABB seeking reimbursement from AABB for monthly lease payments made by Cannon for AABB under the Office Rental Agreement entered into between Cannon and AABB and seeking payment under the Agent Agreement between Cannon and AABB of bond forfeiture judgments on numerous bail bonds written by AABB's sub-agents using Cannon Powers of Attorney for which Cannon has now become liable. Counsel for the Rehabilitator attempted service on AABB via certified mail of the summons, complaint, and cover sheet at the known address for the registered agent on file with the NC Secretary of State ("SOS") but was unsuccessful. Counsel subsequently forwarded the copies of the summons, complaint, and cover sheet to the SOS for service pursuant to N.C. Gen. Stat. § 55D-33 and received confirmation of receipt from the SOS on January 14, 2019. Pursuant to N.C. Gen. Stat. § 55D-33 service on AABB is effective on that date. An affidavit of service was filed in Wake County notifying the Court of the effective service. Copies of documents were sent to the registered agent of AABB, Jeremy Valentine, at his Floyd, VA address. AABB had 30 days from January 14, 2019, to answer or otherwise respond. Jeremy Valentine submitted a letter dated February 2, 2019, with a document attached, and requested that it be made part of the court file. On May 21, 2019, the Rehabilitator, on behalf of Cannon, filed a Motion to Strike the letter filed by Jeremy Valentine from the file and a Motion for Entry of Default. On June 12, 2019, Cannon requested a Court Order designating Judge A. Graham Shirley, II, to preside over all future matters of this case pursuant to Local Rule 2.2. On August 15, 2019, Judge A. Graham Shirley, II was designated to preside over all court proceedings in this action. On October 10, 2019, the Receiver gave notice that his Motion to Strike and Motion for Entry of Default will be heard on October 28, 2019. The Motion to Strike and Motion for Entry of Default was granted by Judge A. Graham Shirley, II, on October 28, 2019. On June 29, 2023, Cannon filed Plaintiff's Motion for Judgment by Default. The Court granted the Order for Default Judgment in the amount of $466,928.03, plus interest from October 5, 2023. The Order for Default

Judgment was filed on December 27, 2023, but the ability to collect or enforce the judgment remains uncertain.

CERTIFICATE OF CONTRIBUTION

C. Robert Brawley, Jr. v. NC Department of Insurance and Mike Causey, 24CV018650-910; Wake County Superior Court

On June 14, 2024, C. Robert Brawley, Jr. filed a complaint seeking damages for money allegedly owed. His complaint asserts claims against the Department and the Commissioner for breach of contract, fraud, unfair methods of competition or deceptive acts by not releasing funds under a Certificate of Contribution for a loan that Plaintiff made to Premier Judicial Consultants in the amount of $850,000. Defendants were granted additional time to serve an answer or otherwise plead in response to the Plaintiff's complaint through September 16, 2024. On September 16, 2024, Mike Causey and the Department filed Motions to Dismiss for lack of personal jurisdiction, lack of subject matter jurisdiction, and failure to state claims upon which relief can be granted, and for failure to join necessary parties. Additionally on September 16, 2024, Mike Causey and the Department moved to seal various exhibits submitted in support of their motions to dismiss. On December 9, 2024, Plaintiff Brawley voluntarily dismissed the lawsuit as to both Mike Causey and the Department without prejudice pursuant to Rule 41(a) of the North Carolina Rules of Civil Procedure.

OTHER

Tax Returns

The Receiver engaged Batchelor, Tillery & Roberts, LLP to prepare and file tax returns for Cannon for the years 2016 through 2020. The tax returns for 2016 through 2018 were filed on September 30, 2020, and the tax returns for 2019 were filed in December 2020. The tax returns for 2020 were filed on March 11, 2021. The tax returns for 2021 were filed in June 2022. No tax was owed. Financial information for 2022 was submitted and 2022 draft tax returns have been prepared and submitted with no tax due. The tax returns for 2025 have been prepared and submitted with no corporate income tax due. For the 2025 tax year there is franchise tax payable of $202 due to the North Carolina Department of Revenue.

Audit

It has been the practice for the Receiver 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 Receiver to not have an independent audit performed unless otherwise instructed by the Court.

Disbursements

Since the execution of the Seizure Order, through September 30, 2026, the Receiver has paid funds for various expenses totaling $83,303 as follows:

- North Carolina Department of Revenue - $616 for interest due for 2015 premium tax.

- North Carolina Department of Revenue - $22,218 for 2016 premium tax.
- North Carolina Department of Revenue - $657 for interest due for 2016 premium tax.
- North Carolina Department of Revenue - $2,269 for franchise tax for tax years 2016 – 2024. The amount includes penalties and interest for late filing.
- North Carolina Department of Justice - $73 for postage related to mailing of court documents.
- Batchelor, Tillery & Roberts - $31,806 for preparing and filing income and franchise taxes.
- City Transfer and Storage - $5,750 for expenses associated with the removal and storage of the contents of Cannon's office prior to the auction of these items.
- Williamson, Walton & Scott, LLP- $5,549 for legal expenses related to review of records.
- QuickBooks - $5,120 for software used by the Receiver.
- North Carolina Secretary of State - $2,000 for annual report filings for the years 2017-2026.
- North Carolina Press Services- $1,134 for placing legal notice of liquidation in two North Carolina newspapers.
- US Bank and 1st Horizon Bank - $2,291 for fees related to administering cash and deposits.
- North Carolina Court of Appeals - $157 for services rendered during hearings.
- Gina Macchio - $325 for transcript services rendered during hearings.
- Sir Speedy Printing - $512 for printing & mailing of liquidation notice postcards.
- Multnomah County Recorder - $90 for lien documents.
- County Recorder in California - $11 for lien documents.
- LA County Recorder in California - $250 for lien documents.
- Receiver's staff - $1,334 for reimbursement of mileage, office supplies, shipping and packing supplies related to administering the rehabilitation.
- Quade Mathis - $1,142 remission of bond forfeiture and fees in Union County from 2020.

The Receiver negotiated with the North Carolina Department of Revenue to have the late filing penalties for the 2015 and 2016 premium tax filings waived in the amount of $18,752.

Confession of Judgment

On February 2, 2018, the Receiver became aware of a purported confession of judgment that was executed on December 15, 2017, by Dallas McClain on behalf of Cannon for the benefit of Mark Bibbs in the amount of $227,850.50 plus interest at the legal rate of eight percent (8%). On February 6, 2018, the Receiver filed motions to strike purported confession of judgment against Cannon. On March 21, 2018, the Court heard the motion filed by the Commissioner of Insurance on February 6, 2018, to strike the Confession of Judgment against Cannon Surety, LLC filed with the Clerk of Superior Court of Wake County in Case No. 17 CVS 15505 on December 18, 2017. The Court declared the Confession of Judgment to be null, and void and the Court ordered it stricken from the records of the Clerk of Superior Court of Wake County.

Motion to Intervene and Motion for Attorney Fees

On March 15, 2018, Mark Bibbs filed a Motion to Intervene in this Rehabilitation action and a Verified Motion for Payment of Attorney Fees to recover attorney fees from his former client, Cannon, in the amount of $499,588.20. Both the Motion to Intervene and the Verified Motion for Payment of Attorney Fees were denied. The Verified Motion for Payment of Attorney Fees was

denied on March 21, 2018, without prejudice to the right of Proposed Intervenor Bibbs to make a motion for payment of disputed attorney fees that complies with State Bar rules regarding the Fee Dispute Resolution Program. The Order was issued April 18, 2018.

Appeal by Bibbs to Court of Appeals

On April 20, 2018, Mark Bibbs filed a Notice of Appeal with the Wake County Superior Court and a Petition for Writ of Supersedeas and Motion for Stay with the North Carolina Court of Appeals, appealing the Court's Order striking the confession of judgment against Cannon in 17 CVS 11692 and 17 CVS 15505. The Petition for Writ of Supersedeas and Motion for Stay were denied by the Court of Appeals.

On May 14, 2018, Mark Bibbs filed a Motion for Extension of Time with the North Carolina Court of Appeals in order to contract with a court reporter/transcriptionist to produce the transcript of the court proceedings held on March 21, 2018. By Order dated May 14, 2018, the Court of Appeals granted the Motion allowing Mr. Bibbs an extension until May 31, 2018, to contract for the transcription of the proceedings. On May 30, 2018, Mr. Bibbs contracted for production of the transcript. By letter dated July 16, 2018, counsel for the Receiver was contacted by an attorney representing Mr. Bibbs in connection with the recovery of Mr. Bibbs' attorney fees from Cannon. On July 31, 2018, counsel for the Receiver requested additional information from Mr. Bibbs' attorney regarding the disputed attorney fees. On September 2, 2018, Mr. Bibbs filed a Motion for Extension of Time to Serve Proposed Record on Appeal with the North Carolina Court of Appeals. On September 4, 2018, the North Carolina Court of Appeals entered an Order dismissing without prejudice Mr. Bibb's Motion for Extension of Time to Serve Proposed Record on Appeal to refile with a showing that an initial thirty-day extension to serve the proposed record on appeal had been obtained from the trial court. On September 4, 2018, Mr. Bibbs filed a Motion for Extension of Time to Serve the Record on Appeal with the Wake County Superior Court. The Court entered an Order for Extension of Time to Serve Proposed Record on Appeal on October 10, 2018. On October 16, 2018, Mr. Bibbs filed a second Motion for Extension of Time to Serve Proposed Record on Appeal with the North Carolina Court of Appeals. On October 17, 2018, the Court of Appeals entered an Order granting an extension to serve the proposed record on appeal through November 5, 2018. Mr. Bibb's served his proposed Record on Appeal on November 5, 2018. On December 5, 2018, the Commissioner served his Objections and Amendments to the proposed Record on Appeal in both File numbers 17 CVS 11692 and 17 CVS 15505. A Motion for Extension of Time filed by Mr. Bibbs on December 28, 2018, was dismissed by the Court. On December 31, 2018, Mr. Bibbs filed a second Motion for Extension of Time. The Court of Appeals allowed Mr. Bibb's second Motion for Extension of Time and ordered that the settled Record on Appeal be filed on or before January 7, 2019. The Record on Appeal was filed on January 7, 2019, and docketed on January 10, 2019. On January 31, 2019, the Court of Appeals entered an Order granting Mr. Bibbs' Motion for Extension of Time to File Appellant's Brief and ordered that the brief be filed on or before March 8, 2019. Mr. Bibbs filed his brief on March 8, 2019. On March 29, 2019, the Rehabilitator filed a Motion for Extension of Time to file its brief up to and including May 8, 2019. On April 1, 2019, the Court of Appeals granted the Rehabilitator's Motion for Extension of Time. On May 8, 2019, the Rehabilitator filed Appellee's Brief. On May 28, 2019, Mr. Bibbs filed a Motion for Extension of Time to file a reply brief. On May 30, 2019, the Court

of Appeals denied the motion. On July 23, 2019, the Court of Appeals issued a court calendar setting the appeal to be heard without oral arguments on Thursday, August 22, 2019. On January 7, 2020, the Court of Appeals issued an opinion affirming the trial court's order striking the confession of judgement.

Amended Order of Rehabilitation

On January 30, 2018, the Receiver filed a motion to clarify and amend the Order of Rehabilitation; Order Appointing Receiver; Order Granting Injunctive Relief entered on January 2, 2018. The motion was heard on March 21, 2018, and the Court agreed to amend the Order of Rehabilitation; Order Appointing Receiver; Order Granting Injunctive Relief. The Court enjoined and prohibited the Receiver from making payment for final forfeiture judgments from the funds on deposit in Cannon's name at US Bank until further order from the Court.

Counterclaims

On October 15, 2017, Respondent filed Counterclaims and filed Amended Counterclaims on November 15, 2017 ("Counterclaims"). On December 15, 2017, Petitioner filed a Motion to Dismiss Respondent's Amended Counterclaims and on May 29, 2025, Petitioner filed a Petition to Strike Respondent's First Amended Counterclaims. On July 8, 2025, Richard W. Forrester ("Forrester") filed a Notice of Limited Appearance, representing he was making a limited appearance on behalf of Respondent. On July 8, 2025, Forrester also filed a Notice of Dismissal giving notice that Respondent was dismissing the Amended Counterclaims without prejudice pursuant to N.C. Rule of Civil Procedure Rule 41. On July 16, 2025, Petitioner filed a Petition to Strike Notice of Limited Appearance and Voluntary Dismissal because Forrester did not have authority to appear on behalf of Respondent and dismiss the counterclaims. Petitioner's Motions/Petitions to Strike the Counterclaims were heard by the Court on July 28, 2025. The Court struck the Notice of Limited Appearance and Voluntary Dismissal, as well as the Respondent's Amended Counterclaims with prejudice.

Liquidation

On October 1, 2025, Petitioner filed a Verified Petition for an Order of Liquidation Against Cannon Surety, LLC and Petition Seeking Injunctive Relief which was heard on October 17, 2025. An Order of Liquidation against Cannon Surety, LLC and Order for Injunctive Relief was entered on November 6, 2025.

On April 17, 2026, Petitioner filed the Liquidator's Motion for Approval to Distribute Remaining Assets and to Close the Case.

On July 2, 2026, the Petitioner's Motion for Approval to Distribute Remaining Assets and to Close the Case was heard by the court.

On September 3, 2026, the Petitioner's Motion for Approval to Distribute Remaining Assets and to Close the Case was signed by Judge Shirley.

INTRODUCTION TO CANNON SURETY, LLC

FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2026

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, and in liquidation effective November 6, 2025. The Company is under the control of the Commissioner of Insurance of the State of North Carolina, who is the Receiver of the Company. It is the Receiver's responsibility to take possession of the assets of the insurer and to administer them under the general supervision of the Court.

The accompanying unaudited financial statements were prepared by Cannon staff under the supervision of the Receiver, as of September 30, 2026. The financial statements have been prepared using the liquidation basis of accounting.

CANNON SURETY, LLC, IN LIQUIDATION
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER
Statement of Financial Position
As of September 30, 2026

Assets			
Cash and Cash Equivalents		(Note A)	$ 1,191,120
	Total Assets		**$ 1,191,120**
Liabilities			
Class 1 and 2 Liabilities			
Receiver's Administration		(Note B)	$ 4,114
Claims against the Estate-Payable to Clerks of Court		(Note C)	3,372,251
Class 3 and Higher Liabilities			
Claims Against the Estate-Class 3 Federal, State & Local Government		(Note D)	48,160
Claims Against the Estate-Class 4 Employees			0
Claims Against the Estate-Class 5 General Creditors		(Note E)	1,136,220
	Total Liabilities		**4,560,745**
Surplus			
Excess of Liabilities Over Assets			**$ (3,369,625)**

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

	For the Six-Months Ended September 30, 2026	Cumulative For the Period September 27, 2017- September 30, 2026
OPERATING ACTIVITIES		
Receipts		
Premium Receipts	0	23,661
Sale of Fixed Assets		192
Recovery of Bad Debt	0	0
Clerk of Court Recovery	0	1,142
Tax Recovered	0	0
Miscellaneous Receipts	0	4,248
Total Receipts	0	29,243
Disbursements		
Policy Related Disbursements		
Loss and Loss Adjustment Expenses	0	0
Court Costs	0	0
Interest Expense on Judgements	0	0
Total Policy Related Disbursements	0	0
General Expenses and Other		
Personnel Expenses	0	0
Rent and Occupancy	0	0
Accounting Fees	0	31,806
Actuarial Fees	0	0
Legal Fees	0	5,549
Consulting Fees	0	0
Software	0	5,120
Office Expenses	0	2,055
Furniture, EDP & Equipment Expense	0	0
Travel	0	752
Claims and Underwriting Admin Fees	0	0
Court Costs	0	157
Moving & Storage	0	5,750

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

Bank Fees	0	874
Custody Fees	38	1,410
Taxes, Licenses and Fees	0	27,766
Miscellaneous Expense	0	2,065
	38	83,304
Total Operating Disbursements	38	83,304
Net Cash Provided by Operating Activities	(38)	(54,061)
INVESTING ACTIVITIES		
Net (Purchases) Sales of Invested Assets	0	0
Net Investment Income	9,435	232,124
Net Cash Provided by Investing Activities	9,435	232,124
OTHER		
Misc Receipts	0	152
Change in Deposit	0	0
Escheat Liability	0	0
Net Cash Provided by Other	0	152
Net Increase/(Decrease) in Cash and Cash Equivalents	9,397	178,214
Cash and Cash Equivalents at Beginning of Period	1,181,722	1,012,907
Cash and Cash Equivalents at End of Period	$ 1,191,120	1,191,120

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 Receiver.

Per court order dated September 3, 2026, the statutory deposit was to be liquidated with the funds to be used for the payment of bail bond judgments. The statutory deposit was subsequently liquidated in late September 2026. The payments will be made in the fourth quarter on a pro rata basis.

Note B Claims Against the Estate-Class 1 Receiver's Administration and Administrative Claims represents Class 1 claims for priority of distribution pursuant to N.C. Gen. Stat. §58-30-220. During the period, the Receiver paid:

- $37.50 to US Bank for custody fees

Note C Claims Against the Estate-Class 2 Payable to Clerks of Court represent Class 2 claims for priority of distribution pursuant to N.C. Gen. Stat. §58-30-220. Payable to Clerks of Court represent bond forfeitures, in which a final judgment has been entered by the courts which the Company is liable for payment. As of September 30, 2026, the amount reported includes $2,043,021 of the total face amount of the bonds, $13,780 of court costs, $1,315,315 of interest, and $135 of sheriff's fees. Interest continues to accrue until the judgments are satisfied.

Note D Claims Against the Estate-Class 3 Federal, State & Local are amounts owed by the Company for unpaid 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 E Claims Against the Estate-Class 5 General represent amounts the Company owes to all other vendors and creditors. 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.

NORTH CAROLINA

WAKE COUNTY

VERIFICATION

JESSICA PRICE, being first duly sworn, deposes and says that she is a Deputy Commissioner of Insurance for the North Carolina Department of Insurance and appointed as Special Deputy Liquidator for Cannon Surety, LLC by the Commissioner of Insurance and Liquidator, that she has read the foregoing Statement of Financial Position as of September 30, 2026, and the Statement of Receipts and Disbursements for the three months ending September 30, 2026, and for the period from September 27, 2017, the date of the Seizure Order, through September 30, 2026, and that the contents of same are true and correct to the best of her knowledge and belief.

This the 3 day of November 2026.

Senior Deputy Commissioner of Insurance and
Special Deputy Liquidator for
Cannon Surety, LLC.

NORTH CAROLINA

WAKE COUNTY

Sworn to and subscribed before me this,

The 3rd day of November 2026.

(Official Seal)

SKYLA L GREEN
NOTARY PUBLIC
My Commission Exp:
7.15.2029
WAKE COUNTY, NC

Notary Public

My Commission Expires: 7/15/2029