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Pursuant to Gov. Code § 6103*

11 *Attorneys for Applicant Ricardo Lara, Insurance*  
12 *Commissioner of the State of California, in his*  
13 *capacity as Liquidator of Superior National*  
14 *Insurance Company, Superior Pacific Casualty*  
15 *Company, California Compensation Insurance*  
16 *Company, Commercial Compensation Casualty*  
17 *Company and Combined Benefits Insurance*  
18 *Company*

11 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
12 COUNTY OF LOS ANGELES  
13 SPRING STREET COURTHOUSE  
14

15 **INSURANCE COMMISSIONER OF THE**  
16 **STATE OF CALIFORNIA,**

17 Applicant,

18 v.

19 **SUPERIOR NATIONAL INSURANCE**  
20 **COMPANY,**

21 Respondent.

Case No.: BS061974

Consolidated with: BS061675  
BS062171  
BS062173  
BS063746

22 **DECLARATION OF SCOTT PEARCE IN**  
23 **SUPPORT OF MOTION FOR ORDER**  
24 **OF CORPORATE DISSOLUTION**

25 Date: October 19, 2022  
26 Time: 11:00 a.m.  
27 Dept: 14  
28 Judge: The Honorable Kenneth R.  
Freeman

1 I, Scott Pearce, declare:

2 1. I am employed as the Chief Estate Trust Officer with the California Insurance  
3 Commissioner's Conservation and Liquidation Office (CLO). I have had hands-on involvement  
4 in oversight and management of the liquidation of the five insolvent insurers Superior National  
5 Insurance Company, Superior Pacific Casualty Company, California Compensation Insurance  
6 Company, Commercial Compensation Casualty Company and Combined Benefits Insurance  
7 Company (collectively, Insolvent Insurers). I make this declaration in my official capacity as the  
8 Chief Estate Trust Officer of the CLO.

9 2. Since 2003, I am the CLO employee responsible for the overall management of the  
10 Insolvent Companies in conservation and in liquidation. I am also responsible for the  
11 management of books and records of the Insolvent Companies, and I have overall custody and  
12 control thereof.

13 3. I am authorized to make this declaration on behalf of applicant Insurance  
14 Commissioner of the State of California, in his capacity as Liquidator of the Insolvent Insurers  
15 (Liquidator). The following statements are based on my personal knowledge, acquired through  
16 my direct involvement in the Insolvent Insurers' liquidation. At the same time, I refer to certain  
17 facts and events in this declaration based on information and belief and on records prepared by  
18 personnel at the CLO and kept in the ordinary course of CLO's business. If called upon to testify,  
19 I could and would testify competently to the facts herein, except as to those matters stated on  
20 information and belief, and as to those matters, I believe them to be true.

21 4. At or around the time the Commissioner was appointed the Conservator and later  
22 Liquidator of the Insolvent Insurers, their parent company, SNTL Corporation (fka Superior  
23 National Insurance Group, Inc.), commenced a Chapter 11 bankruptcy proceeding in the United  
24 States Bankruptcy Court, Central District of California, Case No. SV-00-41099-GM (SNTL  
25 Bankruptcy).

26 5. As part of the plan of reorganization approved by the Bankruptcy Court, SNTL  
27 was acquired by JPMorgan Chase Bank (JPMorgan). The acquisition included SNTL's interest in  
28 and the net operating losses of the Insolvent Insurers.

6. At or around the same time, the Liquidator entered into a settlement and tax sharing agreement with SNTL and JPMorgan. Under the agreement, JPMorgan became the sole owner of the net operating losses and the Insolvent Insurers joined with JPMorgan in the filing of consolidated returns. A true and correct copy of the Settlement and Second Amended and Restated Consolidated Federal Income Tax Liability Allocation Agreement Between SNTL Corporation and Subsidiaries is attached hereto as Exhibit A.

7. Following the entry of this Court's order dated August 9, 2021 approving the Liquidator's final accounting and distribution of assets, JPMorgan has requested the Liquidator to seek a formal dissolution of the Insolvent Insurers.

I declare under the penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 27<sup>th</sup> day of August, 2022, in San Francisco, California.

  
Scott Pearce

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# EXHIBIT A

SETTLEMENT AND  
SECOND AMENDED AND RESTATED  
CONSOLIDATED FEDERAL INCOME TAX LIABILITY  
ALLOCATION AGREEMENT BETWEEN  
SNTL CORPORATION AND SUBSIDIARIES

AGREEMENT, effective the 18th day of July, 2002 between:

- (a) J.P. Morgan Chase & Co. ("JPMC");
- (b) SNTL Corporation (f/k/a Superior National Insurance Group, Inc., a Delaware corporation) ("Parent");
- (c) the Commissioner of Insurance for the State of California in his capacity as Liquidator (the "Liquidator") of the Estates of (i) Superior National Insurance Company, a California corporation; (ii) Superior Pacific Casualty Company, a California corporation; (iii) California Compensation Insurance Company, a California corporation; (iv) Combined Benefits Insurance Company, a California corporation; and (v) Commercial Compensation Casualty Company, a California corporation; (collectively, the "Insurance Subsidiaries" or the "SNICIL Estates"); and
- (d) the remaining subsidiaries comprised of (i) Debtors (1) SN Insurance Services, Inc., a California corporation, (2) SN Insurance Administrators, Inc., a California corporation, (3) SNTL Holding Corporation (f/k/a Business Insurance Group, Inc.), a Delaware corporation, (4) Infonet Management Systems, Inc., a California corporation and (5) Pacific Insurance Brokerage, Inc., a Delaware corporation (collectively "Debtor Subsidiaries"), and (ii) non-Debtors (1) Western Select Service Corp., a California corporation and (2) Regional Benefits Insurance Services, Inc., a California corporation (collectively, the "Non-Insurance Subsidiaries");

WITNESSETH:

WHEREAS, the Parent currently directly or indirectly owns a sufficient number of shares of each of the Insurance Subsidiaries and the Non-Insurance Subsidiaries (collectively "Subsidiaries") for the Subsidiaries to be included in an affiliated group (the "Affiliated Group") with the Parent pursuant to Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, the Parent currently includes the Subsidiaries in the consolidated U.S. federal income tax returns filed by the Parent;

WHEREAS, the Parent filed a chapter 11 proceeding in the United States Bankruptcy Court for the Central District of California, West Valley Division (the "Bankruptcy Court"), in

Case No. SV 00-14099-GM, jointly administered with Case Nos. SV 00-14100-GM, SV 00-14101-GM and SV 00-14102-GM (together, the "Chapter 11 Proceedings").

WHEREAS, the Parent commenced an adversary proceeding against the then acting Insurance Commissioner of the State of California in his then capacity as Conservator of the Conserved Companies (now the Insurance Subsidiaries), in Bankruptcy Court in Adversary Case No. SV 00-01470-GM (the "Adversary Proceeding");

WHEREAS, the SNICIL Estates and the Parent desire to settle the litigation described in the immediately preceding recital;

WHEREAS, the Parent is submitting to the Bankruptcy Court a Plan (as defined below) whereby the Parent will be acquired by JPMorgan Chase Bank (f/k/a The Chase Manhattan Bank) ("Chase") and will subsequently convert into a limited liability company, and as a result thereafter the Subsidiaries will join and become part of the consolidated group of JPMC; and

WHEREAS, as of the Effective Date (as defined below) the Parent and the Subsidiaries desire to terminate the Amended and Restated Consolidated Federal Income Tax Liability Allocation Agreement between Superior National Insurance Group, Inc and Subsidiaries, effective December 10, 1998 and dated December 31, 1999 and any other tax allocation agreement between the parties ("the Prior Tax Sharing Agreement") and the obligations and duties thereunder.

NOW, THEREFORE, in consideration of the premises, it is hereby mutually agreed as follows:

1. Definitions. As used in this Agreement, the following terms shall have the following meanings:

"Effective Date" means the date on which the Plan becomes effective.

"FHS Litigation" means the Parent's lawsuit against Foundation Health Corporation, Foundation Health Systems, Inc., and Milliman & Robertson, Inc., entitled *Superior National Insurance Group, Inc. v. Foundation Health Corporation, Foundation Health Systems, Inc. and Milliman & Robertson, Inc.*, originally pending in the Bankruptcy Court and now removed to the United States District Court for the Central District of California, Case No. SV CV-00-0658 GLT.

"Income Taxes" means U.S. federal income taxes.

"Plan" means the Parent and Debtor Subsidiaries' First Amended Chapter 11 Joint Plan of Reorganization, As Modified.

"Tax Return" means the Income Tax returns, statements, forms and reports filed by, on behalf of or with respect to an entity in respect of any taxable period.





8. Indemnity. JPMC shall indemnify the Insurance Subsidiaries for any and all Income Taxes the Insurance Subsidiaries are required to pay, including all penalties and interest thereon, for taxable periods after the Effective Date. JPMC shall reimburse the Insurance Subsidiaries within forty-five (45) days after the payment by such subsidiaries of Income Taxes (including penalties and interest thereon) that are required to be indemnified by JPMC pursuant to the preceding sentence.

10. Treatment of Termination Years. In the event this Agreement is terminated pursuant to Section 9 hereof, its provisions shall remain in full force and effect with respect to any period of time during the taxable year in which termination occurs for which the income of the terminating party must be included in the consolidated Tax Return of JPMC.

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Estate, a Liquidation-Basis Trial Balance, Balance Sheet and Income Statement on an annual basis. (iv) The Liquidator and the SNICIL Estates agree that all of the foregoing material shall, upon reasonable notice and without undue interruption to the business of the party granting access, be made available to any party to this Agreement during regular business hours at a location designated by the Liquidator. (v) The Liquidator further agrees to cause the SNICIL Estates to retain all such materials at its own expense until the Liquidator determines that it is no longer required to retain such materials under applicable law. The Liquidator shall provide notice to JPMC and/ or Chase of its intention to dispose of or destroy such materials. (vi) If Chase requests the retention of such materials within sixty (60) days of such notice, the Liquidator will retain such material designated by Chase at the expense of Chase.

12. Actuarial Reports. In addition to the materials required to be provided pursuant to Section 11 hereof, the Liquidator and the SNICIL Estates agree to provide to Chase and/or the Parent such actuarial and other similar reports as are prepared or commissioned by the Liquidator in the normal course of business and not covered by the attorney-client privilege or attorney work product doctrine and relating to the SNICIL Estates. In addition, at Chase's request, the Liquidator and the SNICIL Estates shall provide to Chase and/or the Parent reasonable access to any information that has been or may be used in preparing actuarial reports to the extent and in the same format that the information is readily available to and in the possession of the Liquidator or the SNICIL Estates. The preceding sentence shall not require the Liquidator to create, edit, or revise any such information nor to make the information available in any other format. The Liquidator and the SNICIL Estates agree that all of the foregoing material shall, upon reasonable notice and without undue interruption to the business of the party granting access, be made available to any party to this Agreement during regular business hours at a location designated by the Liquidator.

14. Prohibited Acts. Unless otherwise consented to in writing by JPMC and/or Chase, neither the Liquidator nor the Insurance Subsidiaries shall (a) take any action pursuant to the laws of the State of California to dissolve the corporate existence of any Insurance Subsidiary, (b) take any position with respect to Income Taxes that is inconsistent with the treatment of the Insurance Subsidiaries as members of the JPMC consolidated group, (c) take any action (including but not limited to the issuance of new stock) that could affect the stock ownership by the Parent of 100% of the outstanding stock of the Insurance Subsidiaries, unless the failure to undertake the actions described above in (a), (b), and (c) would prohibit or cause a delay in the closing of any of the SNICIL Estates, or (d) cause any Insurance Subsidiary to take any action or conduct any business activity that could generate gross income other than gross income that is derived from actions or activities that are consistent with the usual customs and practices of the Liquidator with respect to the orderly and timely liquidation of these estates.

15. Assignability. This Agreement shall not be assignable by either Parent or the Subsidiaries without the prior written consent of the other parties to this Agreement, provided, however, that the Parent's rights and obligations under this Agreement may be assigned to JPMC, Chase or any other affiliate of JPMC that acquires the Parent and its Non-Insurance Subsidiaries pursuant to the Plan (in the event that Chase itself does not acquire the Parent and its Non-Insurance Subsidiaries pursuant to the Plan) without written or oral consent of the Subsidiaries. This Agreement shall also not be assignable by JPMC without the prior written consent of the Liquidator; provided, however, that JPMC's rights and obligations under this Agreement may be assigned, without written or oral consent of the Liquidator but with notice to the Liquidator, to any entity that is the common parent corporation of an affiliated group (within the meaning of Income Tax law) that includes JPMC.

16. Governing Law. The calculation of any Income Tax liability pursuant to Sections 3 and 8 under this Agreement shall be governed by the Code, the U.S. Treasury Regulations thereunder, and judicial and administrative interpretations thereof. All other matters pertaining to this Agreement shall be governed by the laws of the State of California.

17. Headings. The headings used in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

18. Court Approval. This Agreement is subject to approval by both the Bankruptcy Court and the Superior Court. The Liquidator promptly will seek Superior Court approval of this Agreement. The Debtors will promptly seek Bankruptcy Court approval of this Agreement, independent of the Plan. The parties hereto agree and acknowledge that this Agreement is the product of good faith negotiations among the parties.

19. Counterparts. This Agreement may be executed in counterparts, each of which shall be considered an original, and all of which together shall be deemed to be one and the same instrument.

20. Costs. The Insurance Subsidiaries, the SNICIL Estates, and the Liquidator shall not bear responsibility for any incremental costs or expenses in connection with this Agreement (not taking into account any expenses incurred in connection with Paragraph 11(a)(v)) over the period during which this Agreement is in effect. Costs or expenses for purposes of this paragraph shall be at the reasonable determination of the Liquidator and shall include, but are not limited to, employee expenses, record retention and access expenses, transportation expenses, and copying expenses; provided, however, that such costs or expenses shall not include any allocation of overhead costs or expenses. Such costs shall either be incurred directly by JPMC and/or Chase, or prepaid by JPMC and/or Chase upon receipt of an estimate of such cost by the Liquidator or the SNICIL Estates. However, to the extent that the Liquidator actually receives payments on the Litigation Trust Series A Certificate, the Liquidator will provide JPMC and/or Chase with a credit against the \$3.3 million payable on the Litigation Trust Series A Certificate in the amount equal to such costs incurred up to \$200,000.

21. Integrity of the Liquidation. Notwithstanding the foregoing, this Agreement is not intended to, nor shall it in any way, obligate the Liquidator or the SNICIL Estates to (a) incur any additional operational or administrative costs other than as agreed to in Paragraph 20, or (b) take any action or refrain from taking any action contrary to the laws and rules pertaining to the liquidation of the SNICIL Estates. Further, this Agreement shall not be interpreted in a manner that would jeopardize the orderly and timely liquidation of the SNICIL Estates consistent with the usual customs and practices of the Liquidator with respect to the orderly and timely liquidation of estates.

J.P. MORGAN CHASE & CO.

By: Thomas A. Quinn  
Name:  
Title:

SNTL CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

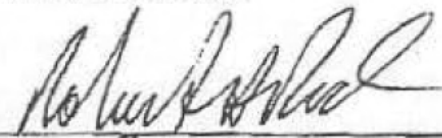
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J.P. MORGAN CHASE & CO.

By: \_\_\_\_\_  
Name:  
Title:

SNTL CORPORATION

By:   
Name: ROBERT H RICH  
Title: President & CEO



By: Robert H. Rich  
Name: ROBERT H RICH  
Title: President & CEO





**DECLARATION OF SERVICE BY U.S. MAIL**

Case Name: **Insurance Commissioner v. Superior National Insurance Co.  
Insurance Company and Consolidated Proceedings**  
Superior Court of California, County of Los Angeles, Case No.: BS061974

Consolidated With: **BS061675  
BS062171  
BS062173  
BS063746**

I declare:

I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter; my business address is 300 South Spring Street, Suite 1702, Los Angeles, CA 90013.

On August 11, 2022, I served the attached **DECLARATION OF SCOTT PEARCE IN SUPPORT OF MOTION FOR ORDER OF CORPORATE DISSOLUTION** by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid, in the United States Mail at Los Angeles, California, addressed as follows:

**SEE ATTACHED SERVICE LIST**

I declare under penalty of perjury under the laws of the State of California and the United States of America the foregoing is true and correct and that this declaration was executed on August 11, 2022, at Los Angeles, California.

\_\_\_\_\_  
Norma L. Herrera-Gilbody  
Declarant

\_\_\_\_\_  
*Norma L. Herrera-Gilbody*  
Signature

## **SERVICE LIST**

**Insurance Commissioner v. Superior National  
Insurance Company and Consolidated Proceedings**  
Superior Court of California, County of Los Angeles, Case No.: BS061974

**Consolidated With:      BS061675  
                                     BS062171  
                                     BS062173  
                                     BS063746**

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