

Settlement in K-M Industries Holding Co., Inc. ESOP Litigation

The United States District Court for the Northern District of California today granted preliminary approval for a partial settlement of \$40 million in a class action on behalf of participants in and beneficiaries of the Employee Stock Ownership Plan ("ESOP") of K-M Industries Holding Co., Inc. ("K-M Industries"), the parent company of Kelly-Moore Paint Co., Inc. and Capital Insurance Group. The case, *Fernandez et al. v. K-M Industries Holding Co., Inc. et al.*, Case No. C 06-07339 (CW), is pending in U.S. district court in Oakland, CA.

Plaintiffs alleged in the lawsuit that the ESOP overpaid for company stock when it initially purchased that stock in 1998 and 1999. Defendants deny that the ESOP overpaid for the stock and allege that the stock value was professionally and fairly stated at the time of the initial transactions.

The settlement was reached with the family trusts of the Moore family, from which the ESOP purchased the stock in 1998 and 1999, K-M Industries and the committee that oversees the ESOP.

Claims will proceed against North Star Trust Co., trustee for the ESOP since 2003. Plaintiffs allege that North Star failed to act prudently upon becoming successor trustee for the ESOP.

Upon final approval, the \$40,000,000 settlement amount, less court costs and any fees awarded to the Plaintiffs' attorneys, will go to the ESOP for the benefit of participants and beneficiaries, who are current and former employees of Kelly-Moore Paint Co., Inc. and Capital Insurance Group.

Plaintiffs and the Class are represented by the law firms of Lewis, Feinberg, Lee, Renaker & Jackson, P.C. (510-839-6824- Press Contact: Todd Jackson) and Rukin Hyland Doria & Tindall, LLP (415-421-1800 – Press Contact: Peter Rukin).

K-M Industries is represented by the law firm of Lovitt & Hannan, Inc. (415-362-8769 – Press Contact: Ronald Lovitt).

The Moore Family Trusts are represented by the law firm of Hennigan, Bennett & Dorman LLP (213-694-1200 – Press Contact: Robert L. Palmer).