



Report of the Independent Fiduciary  
for the Settlement in  
*Chea v. Lite Star ESOP Committee*

January 7, 2026

## TABLE OF CONTENTS

<b>I.</b>	<b>Introduction.....</b>	<b>1</b>
<b>II.</b>	<b>Executive Summary of Conclusions .....</b>	<b>1</b>
<b>III.</b>	<b>Procedure.....</b>	<b>1</b>
<b>IV.</b>	<b>Background .....</b>	<b>2</b>
<b>V.</b>	<b>Settlement .....</b>	<b>3</b>
<b>VI.</b>	<b>PTE 2003-39 Determination.....</b>	<b>7</b>

## **I. Introduction**

Fiduciary Counselors has been appointed as an independent fiduciary for the Lite Star, Inc. Employee Stock Ownership Plan (the “ESOP” or “Plan”) in connection with the settlement (the “Settlement”) reached in *Chea v. Lite Star ESOP Committee*, Case NO.: 1:23-cv-00647-SAB, (the “Litigation” or “Action”), which was brought in the United States District Court for the Eastern District of California (the “Court”). Fiduciary Counselors has reviewed over 150 previous settlements involving ERISA plans.

## **II. Executive Summary of Conclusions**

After a review of key pleadings, decisions and orders, selected other materials and interviews with counsel for the parties, Fiduciary Counselors has determined that:

- The Court has preliminarily certified the Litigation as a class action for settlement purposes, and in any event, there is a genuine controversy involving the Plan.
- The Settlement terms, including the scope of the release of claims, the amount of cash received by the Plan and the amount of any attorneys’ fee award or any other sums to be paid from the recovery, are reasonable in light of the Plan’s likelihood of full recovery, the risks and costs of litigation, and the value of claims forgone.
- The terms and conditions of the transaction are no less favorable to the Plan than comparable arm’s-length terms and conditions that would have been agreed to by unrelated parties under similar circumstances.
- The transaction is not part of an agreement, arrangement or understanding designed to benefit a party in interest.
- The transaction is not described in Prohibited Transaction Exemption (“PTE”) 76-1.
- All terms of the Settlement are specifically described in the written settlement agreement and the plan of allocation.
- To the extent there is non-cash consideration, it is in the interest of the Plan’s participants and beneficiaries, and the Plan is receiving no non-cash assets as part of the Settlement.

Based on these determinations about the Settlement, Fiduciary Counselors hereby approves and authorizes the Settlement on behalf of the Plan in accordance with PTE 2003-39.

## **III. Procedure**

Fiduciary Counselors reviewed key documents, including the First Amended Complaint, the Motion to Dismiss and related papers, the related findings and recommendations of the Magistrate Judge and Order of the Court, the parties’ mediation statements, the Settlement Agreement, the Motion for Preliminary Approval and related papers, the Court’s Order

Preliminarily Approving Settlement, the Notice, the Plan of Allocation, and the Motion for Attorneys' Fees, Expenses and Class Representative Service Award and related papers. In order to help assess the strengths and weaknesses of the claims and defenses in the Litigation, as well as the process leading to the Settlement, the members of the Fiduciary Counselors Litigation Committee conducted separate telephone interviews with counsel for the Defendants and counsel for the Plaintiff.

#### **IV. Background**

##### **A. Background and Procedural History of Case**

###### ***Background.***

On December 31, 2017, Prudent Fiduciary Services, LLC and Miguel Paredes (collectively, "PFS") caused the Plan to purchase 100% of the shares of B-K Lighting, Inc. from Douglas W. Hagen (the "ESOP Transaction") for \$25,270,000. The ESOP Transaction was financed primarily through a loan from Mr. Hagen to the ESOP, which B-K Lighting, Inc. assumed in exchange for a corresponding promissory note from the ESOP to B-K Lighting ("Internal Note"). Plaintiff Linna Chea ("Plaintiff") alleged that the ESOP Transaction was for more than fair market value.

###### ***Litigation.***

Plaintiff filed this lawsuit on April 27, 2023 against Defendants B-K Lighting, Inc. ("B-K" or the "Company"), Nathan Sloan, Kathleen A. Hagen, Kathleen A. Hagen, as legal successor to Douglas W. Hagen, Estate of Douglas W. Hagen, the Lite Star ESOP Committee (collectively, "Hagen Defendants"), and PFS (B-K, Hagen Defendants and PFS collectively, "Defendants"). The claims against Defendants were as follows:

- Count I: Engaging in a prohibited transaction with a party-in-interest, in violation of ERISA § 406(a)(1)(A) and (a)(1)(D), against PFS and the Estate of Douglas Hagen and Kathleen Hagen as legal successor the Estate of Douglas Hagen.
- Count II: Engaging in a prohibited transaction, in violation of ERISA § 406(b), against the Estate of Douglas Hagen and Kathleen Hagen as legal successor the Estate of Douglas Hagen.
- Count III: Breach of fiduciary duty against PFS Defendants.
- Count IV: Failure to monitor an appointed fiduciary, against the Hagen Defendants.
- Count V: Co-fiduciary liability pursuant to ERISA § 405(a)(1) and (a)(3), against Defendants Nathan Sloan, the Estate of Douglas Hagen, Kathleen Hagen, and Kathleen Hagen as legal successor to the Estate of Douglas Hagen.

- Count VI: For knowing participation in fiduciary breaches and prohibited transactions, under ERISA § 502(a)(3), against Defendants Nathan Sloan, the Estate of Douglas Hagen, Kathleen Hagen, and Kathleen Hagen as legal successor to the Estate of Douglas Hagen.
- Count VII: Violation of ERISA § 410(a) and a breach of fiduciary duty of loyalty, against all Defendants.

Defendants moved to dismiss on July 6, 2023. On January 25, 2024, Magistrate Judge Stanley A. Boone issued Findings and Recommendations (“F&R”), recommending denying the Motions to Dismiss except as to one count of the complaint. The three Defendant groups objected to the F&R. District Judge Thurston largely adopted the F&R and granted the Motions to Dismiss with respect to Count VII with leave to amend and denied the remainder of the Motions to Dismiss. Plaintiff filed the First Amended Complaint on October 24, 2024, which all Defendants Answered in November 2024. Shortly thereafter, Defendants proposed that the parties engage in mediation.

In preparation for the mediation, Plaintiff requested and Defendants produced a targeted set of documents regarding the 2017 ESOP Transaction, including the Transaction binder, several years of financial statements and ESOP valuations, trustee minutes, board minutes, and other relevant documents. Plaintiff’s counsel also consulted with an expert on ESOP valuations.

### ***Settlement and Preliminary Approval.***

The parties ultimately participated in a full day mediation on June 3, 2025, with mediator Maxine Aaronson, where they executed a written Confidential Settlement Term Sheet.

Plaintiff filed a motion seeking preliminary approval of the Settlement on August 19, 2025. The Court granted Plaintiff’s motion on October 16, 2025. The Court’s Order (1) preliminarily certified the class for settlement purposes; (2) approved the form and method of class notice; (3) set January 21, 2026 as the date for a Final Approval Hearing; (4) approved January 5, 2026 as the deadline for objections; and (5) appointed Analytics LLC as Settlement Administrator.

### ***Objections.***

January 5, 2026 was the deadline for Class Members to file objections to the Settlement. As of the date of this report, no Class Members filed any objections.

## **V. Settlement**

### **A. Settlement Consideration**

The Settlement defines “Settlement Amount” to include both a Cash Payment and the non-cash consideration described below.

The Settlement provides for a Cash Payment of \$1,500,000 to be paid by Defendants' Insurer. After deducting from the Cash Payment (a) administration expenses; (b) return of funds if Settlement is terminated; (c) attorneys' fees and litigation expenses; and (d) service award, the remainder (known as the "Net Cash Settlement Proceeds Settlement Amount") will be distributed to the Class Members in accordance with the Plan of Allocation.

The Settlement also provides for non-cash consideration. Upon and as of the Effective Date of the Settlement, the principal amount on the Seller Note will be reduced by \$1,000,000, with a corresponding reduction in the Internal Note and appropriate modification of amortization schedules. This will increase the value of the B-K Lighting stock owned by the ESOP by an estimated \$750,000. The Seller Note is the promissory note dated December 31, 2017, from B-K Lighting, Inc. to pay to the order of Douglas W. Hagen in the aggregate principal sum of twenty-five million, two hundred seventy thousand dollars (\$25,270,000.00), together with interest on the principal balance from time to time outstanding at a rate of four percent (4.00%) per annum.

To the extent necessary to effectuate the provisions of the Settlement, BK may adopt and implement an amendment to the Plan document. Within fourteen (14) calendar days of the Effective Date of the Settlement, Defendants shall provide Plaintiff's Counsel with copies of the documents effectuating the reduction of the principal amount on the Seller Note and corresponding reduction in the Internal Note.

## **B. Class and Class Period**

The Settlement defines the Settlement Class as follows:

all participants and beneficiaries of the Lite Star, Inc. Employee Stock Ownership Plan at any time from its inception until December 31, 2024 (unless they terminated employment without vesting), excluding individual Defendants and their family members or beneficiaries.

The Court has preliminarily certified the Settlement Class, for settlement purposes only.

## **C. The Release**

The Settlement defines Released Claims as follows:

any and all present or past claims, demands, debts, controversies, expenses, rights of action, suits, and causes of action of every kind and nature whatsoever (including those for any and all losses, liabilities, obligations, damages, unjust enrichment, attorneys' fees and expenses, disgorgement of fees, litigation costs, injunction, declaration, contribution, indemnification, or any other type or nature of legal or equitable relief), whether under ERISA, the Internal Revenue Code, or any other federal, state, local or foreign law, common law doctrine, rule, statute, contract, regulation, or otherwise, whether based on contract, tort, statute,

regulation, ordinance, the common law, or another legal or equitable theory of recovery, whether known or unknown, suspected or unsuspected, existing or claimed to exist, asserted or unasserted, foreseen or unforeseen, actual or contingent, liquidated or unliquidated, in law or equity arising out of or relating in any way to (1) the allegations, acts, omissions, representations, facts, events, matters, transactions or occurrences asserted in the Lawsuit; (2) the management or administration of the ESOP or its assets; (3) the ESOP Transaction, including but not limited to the financial projections provided and/or used in determining the purchase price in the ESOP Transaction or the disclosure of information and assumptions used in connection with the ESOP Transaction; (4) the management of the Company; (5) the valuation relied upon by the Trustee in the ESOP Transaction; and (6) all other claims arising out of or relating to the facts alleged in the pleadings or that could have been brought in the Lawsuit.

The terms of the release, including the provision for the Independent Fiduciary to provide a release of claims by the Plan, are reasonable.

#### **D. The Plan of Allocation**

An Authorized Claimant will be any participant in the ESOP (or alternatively a beneficiary entitled to payment) who was included in data produced by the Defendants (or who establishes membership in the Class), who falls within the definition of the Class as modified by the Court, and who is not excluded from the modified definition of the Class.

The Settlement Fund will be allocated as follows:

Each Authorized Claimant shall be allocated a pro rata share of the Net Settlement Amount based upon the number of vested B-K Lighting, Inc. shares allocated to that Authorized Claimant's ESOP account on or before<sup>1</sup> 12/31/2024, as a fraction of the total number of vested B-K Lighting, Inc. shares allocated to all Authorized Claimants' ESOP accounts as of 12/31/2024. Based on Plaintiff's Counsel's estimate for total deductions from the Cash Payment, Plaintiff's Counsel estimates that each Class Member will receive approximately \$1.55 per vested share as consideration for the Settlement. Class Members who had no remaining vested shares in their ESOP account as of 12/31/2024 will receive their Settlement consideration in a cash payment. Class Members who had vested shares in their ESOP account as of 12/31/2024 will receive their Settlement consideration as a combination of a cash payment and the increase in the value of their vested shares resulting from the reduction in the Seller Note and the Internal Note.

In the event that monies remain in the Cash Payment after settlement distributions and after all taxes and other expenses have been paid (e.g., from uncashed settlement checks),

<sup>1</sup> The parties agreed to change the language to "on or before" from "as of" here and will notify the Court of this clarifying change in Class Counsel's final approval papers.

those residual amounts will be distributed to non-sectarian, non-profit 501(c)(3) charitable organization(s) recommended by Plaintiff's Counsel and approved by the Court.

We find the Plan of Allocation to be reasonable, including:

1. The Allocation of value in proportion to each Settlement Class Member's ESOP account on or before 12/31/24.
2. The provisions stating that Class Members who had no remaining vested shares in their ESOP account as of 12/31/2024 will receive their Settlement consideration in a cash payment. Class Members who had vested shares in their ESOP account as of 12/31/2024 will receive their Settlement consideration as a combination of a cash payment and the increase in the value of their vested shares resulting from the reduction in the Seller Note and the Internal Note.

The provisions are cost-effective and fair to Class Members in terms of both calculation and distribution.

#### **E. Attorneys' Fees, Litigation Expenses and Case Contribution Awards**

Class Counsel seek an award of attorneys' fees in the amount of \$500,000, which represents one third of the \$1,500,000 Cash Payment alone. In our experience, the most common award in similar ERISA cases equals one-third of the cash settlement amount even in cases without additional consideration. The requested \$500,000 in attorneys' fees also represents approximately 22% of the estimated \$2,250,000 economic benefit Class Counsel argue they achieved for the Class and the Plan. This percentage is slightly below the baseline for awards of attorneys' fees in the Ninth Circuit of 25%. Class Counsel cite the non-cash consideration as one of the reasons the requested award is appropriate and argue that the economic benefit to the Settlement Class and the Plan includes the cash amount of \$1,500,000 plus the reduction of the principal amount owed on the Seller Note of \$1 million, with a corresponding reduction in the Internal Note. Class Counsel estimate that eliminating this debt substantially increases the value of the B-K Lighting stock owned by the ESOP by \$750,000, which results in a total economic benefit of \$2,250,000. As of December 3, 2025, the date Class Counsel filed their fee papers, Class Counsel's lodestar was \$773,999, which would result in a lodestar multiplier of 0.65 if the requested \$500,000 were awarded, well below the typical lodestar multiplier awarded. In light of the work performed, the result achieved, the litigation risk assumed by Class Counsel, and the combination of the percentage and the lodestar multiplier, Fiduciary Counselors finds the requested attorneys' fees to be reasonable.

Class Counsel request reimbursement of \$44,833.94, including expert expenses, (\$34,605.83), travel expenses (\$3,385.07), mediation (\$3,000.00), and legal research (\$2,165.65). Fiduciary Counselors finds the request for expenses to be reasonable.



Class Counsel also seek a service award of \$5,000 for Class Representative Linna Chea. According to Class Counsel, Ms. Chea played an integral role in fact-gathering for this case by providing key documents and gathering information from other members of the Lite Star ESOP. Ms. Chea consulted with counsel numerous times during the litigation. She was readily available by telephone or email and was extremely responsive. The Class Representative provided documents and background information to Class Counsel and participated in conference calls with Class Counsel to discuss case strategy, and the mediation. Fiduciary Counselors finds the request for the service awards to be reasonable.

In sum, although the Court ultimately will decide what attorneys' fees, expenses and service awards to approve, we find that the requested amounts are reasonable under ERISA.

## VI. PTE 2003-39 Determination

As required by PTE 2003-39, Fiduciary Counselors has determined that:

- **The Court has preliminarily certified the Litigation as a class action for settlement purposes only.** Thus, the requirement of a determination by counsel regarding the existence of a genuine controversy does not apply. Nevertheless, we have determined that there is a genuine controversy involving the Plan. Based on the documents we reviewed and our calls with counsel, we find that there is a genuine controversy involving the Plan within the meaning of the Department of Labor Class Exemption, which the Settlement will resolve.
- **The Settlement terms, including the scope of the release of claims, the amount of cash received by the Plan, and the amount of any attorneys' fee award or any other sums to be paid from the recovery, are reasonable in light of the Plan's likelihood of full recovery, the risks and costs of litigation, and the value of claims foregone.** Plaintiff alleged that Defendants violated ERISA in connection with the ESOP's purchase of Lite Star stock in 2017 for approximately \$25 million. Plaintiff alleged that the ESOP paid more than fair market value for B-K Lighting stock. Specifically, the Litigation alleged that some of the Defendants were ESOP fiduciaries who violated their duties under ERISA § 404, 29 U.S.C. § 1104, ERISA § 405, 29 U.S.C. § 1105 ERISA § 406, 29 U.S.C. § 1106, and ERISA § 410, 29 U.S.C. § 1110 in connection with the ESOP purchase of B-K Lighting stock. The Litigation also asserted claims against Douglas W. Hagen and his successors for participating in the ERISA violations when he sold his B-K Lighting stock to the ESOP. The Defendants have denied, and continue to deny, all the allegations and claims in the Litigation and any wrongdoing regarding the ESOP Transaction, and have vigorously defended the Lawsuit.

Continued litigation would have been fraught with risks, including the risk that Plaintiff's claims against Defendants would be defeated on summary judgment, trial, or appeal, and the Class would recover nothing.

Plaintiff's valuation expert estimated the maximum recovery for the Class would be approximately \$3 million to \$5 million. The Settlement provides the Settlement Class and Plan with a \$1,500,000 Cash Payment plus debt reduction with an estimated value of \$750,000, for a total estimated value of \$2,250,000, approximately 45% of the estimated maximum damages.

The Settlement Amount is a fair and reasonable recovery given the potential recovery, the defenses the Defendants would have asserted, the risks involved in proceeding to trial and the possibility of reversal on appeal of any favorable judgment.

Fiduciary Counselors also finds the other terms of the Settlement to be reasonable, including the scope of the release, attorneys' expenses, the requested service award to the Class Representatives, and the Plan of Allocation.

- **The terms and conditions of the transaction are no less favorable to the Plan than comparable arm's-length terms and conditions that would have been agreed to by unrelated parties under similar circumstances.** As indicated in the finding above, Fiduciary Counselors determined that Class Counsel obtained a favorable agreement from the Defendants in light of the challenges in proving the underlying claims. The agreement also was reached after arm's-length negotiations supervised by mediator Maxine Aaronson.
- **The transaction is not part of an agreement, arrangement or understanding designed to benefit a party in interest.** Fiduciary Counselors found no indication the Settlement is part of any broader agreement between the Defendants and the Plan.
- **The transaction is not described in PTE 76-1.** The Settlement did not relate to delinquent employer contributions to multiple employer plans and multiple employer collectively bargained plans, the subject of PTE 76-1.
- **All terms of the Settlement are specifically described in the written settlement agreement and the plan of allocation.**
- **To the extent there is non-cash consideration, it is in the interest of the Plan's participants and beneficiaries, and the Plan is receiving no non-cash assets as part of the Settlement.** The Settlement includes non-cash consideration in addition to the \$1,500,000 Cash Payment. Upon and as of the Effective Date of the Settlement, the principal amount on the Seller Note will be reduced by \$1,000,000, with a corresponding reduction in the Internal Note and appropriate modification of amortization schedules. This relief makes sense in light of Plaintiff's claim that the Plan overpaid for the B-K Lighting stock. If the purchase price had been lower, it is likely that the ESOP related debt would have been lower by the same amount. Additionally, obtaining a reduction in the amount of ESOP related debt was much more achievable than obtaining additional cash. The total value to participants exceeds what could have been recovered in an all-cash settlement, and including the non-cash consideration is in the interest of Plan's

participants and beneficiaries. The non-cash consideration does not include non-cash assets, so the requirements related to non-cash assets do not apply.

- **Acknowledgement of fiduciary status.** Fiduciary Counselors has acknowledged in its engagement letter that it is a fiduciary with respect to the settlement of the Litigation on behalf of the Plan.
- **Recordkeeping.** Fiduciary Counselors will keep records related to this decision and make them available for inspection by the Plan's participants and beneficiaries as required by PTE 2003-39.
- **Fiduciary Counselors' independence.** Fiduciary Counselors has no relationship to, or interest in, any of the parties involved in the litigation, other than the Plan, that might affect the exercise of our best judgment as a fiduciary.

Based on these determinations about the Settlement, Fiduciary Counselors (i) authorizes the Settlement in accordance with PTE 2003-39; and (ii) gives a release in its capacity as a fiduciary of the Plan, for and on behalf of the Plan. Fiduciary Counselors also has determined not to object to any aspect of the Settlement.

Sincerely,



Stephen Caflisch

Senior Vice President & General Counsel