

NOTICE OF CLASS ACTION PARTIAL SETTLEMENT

in

KPC ESOP LITIGATION

Gamino v. KPC Healthcare Holdings Inc., Case No. 5:20-cv-01126-SB-SHK (C.D. Cal.)

Please read this notice carefully and completely.

If you are a member of the Class, the settlement will affect your legal rights.

A federal court has authorized this notice.

This is not a solicitation from a lawyer.

You have not been sued.

The Plaintiff and some of the Defendants to this class action have reached a proposed settlement and the Court has preliminarily approved the Settlement. The Settlement will provide for a payment to Class Members based on the number of shares of KPC Healthcare Holdings, Inc. stock in their KPC Healthcare, Inc. Employee Stock Ownership Plan (“ESOP”) account as of August 31, 2021 or the date that a Class member received a distribution of their vested ESOP benefits, as applicable. This notice summarizes the Settlement and informs you of your rights under the Settlement. The complete Settlement Agreements, and other information about this lawsuit, are available at www.kpcesopsettlement.com or by contacting Class Counsel listed below.

Under the proposed Settlement, your estimated payment will be <<EstAmt>>, based on <<ESOPShares>> shares allocated to your ESOP stock account. This is ONLY an estimate. The amount you receive may differ from the estimate, depending on the award of attorneys’ fees, and costs as determined by the Court.

This Settlement is only with some of the Defendants in this lawsuit. Plaintiff has reached two separate settlement agreements as part of this partial Settlement. The first is with a group of Defendants called the “KPC Defendants”: Defendants KPC Healthcare Holdings, Inc., The Administrative Committee of the KPC Healthcare, Inc. Employee Stock Ownership Plan, Kali Pradip Chaudhuri, William E. Thomas, Kali Priyo Chaudhuri, Amelia Hippert, and Lori Van Arsdale. The second settlement agreement is with Defendant Alerus Financial, N.A. The Court has granted summary judgment to Defendant SPCP Group, LLC, and this Settlement does not affect your claims or the Class’s claims against that Defendant.

Your settlement payment will be deposited into your ESOP account. If you are eligible to take an immediate distribution, your settlement payment can be distributed to you shortly after the settlement receives final approval and the time for any appeals has expired. If you are not eligible to take a distribution (or you do not submit any required distribution forms), your settlement payment will be rolled over into an account in the KPC 401(k) Plan. If you already participate in the KPC 401(k) Plan, your settlement payment will be put into your existing account. If you do not already participate in the KPC 401(k) Plan, an account will be created for you. When you are entitled to receive a distribution, you can elect to rollover your settlement payment to an Individual Retirement Account (“IRA”) or another eligible retirement plan, or receive a cash distribution (less tax withholding). If you do not elect to take a distribution, your settlement proceeds will be invested according to your investment instructions or if you have not provided any, into the default investment option of the KPC 401(k) Plan.

SUMMARY OF YOUR LEGAL RIGHTS & OPTIONS

OPTION #1: DO NOTHING NOW, BUT LATER CHOOSE A DISTRIBUTION OR HAVE YOUR MONIES REMAIN IN THE 401(k) PLAN. If You received this Notice your settlement payment will be transferred to the ESOP. If you are eligible to receive a distribution, your settlement payment will be distributed to you. If you are not eligible to receive a distribution, your settlement payment will be rolled over into an account in the KPC 401(k) Plan. You may then elect to take a rollover or receive a distribution of your account from the KPC 401(k) Plan in accordance with the terms of the KPC 401(k) Plan or provide instructions about how to invest your settlement monies (if you want to leave the money in the 401(k) Plan). If you do not currently have an account in the KPC 401(k) Plan, one will be created for you and if you do not provide other instructions, the monies will be invested in the default investment option for the Plan.

OPTION #2: SUBMIT A CHALLENGE TO THE DATA. If you believe that the data about your shares is incorrect OR that you are a class member but did not receive personalized notice sent to you, you can submit information explaining why the data needs to be corrected or why you are a Class Member. You need to submit this challenge by February 7, 2023 at the address listed below.

OPTION #3: OBJECT. If you are not satisfied with the terms of the proposed Settlement, then you or your attorney may inform the Court by sending a letter or written statement by February 7, 2023 at the address listed below.

YOU ARE ABLE TO CHOOSE MORE THAN ONE OPTION: If you object or challenge data, you may still request a distribution or provide instructions about the investment of your settlement proceeds.

BASIC INFORMATION

1. What Is This Case About?

The lawsuit is a class action on behalf of certain participants and beneficiaries in the ESOP alleging claims under the Employee Retirement Income Security Act (“ERISA”). The lawsuit alleges that Defendants¹ breached their fiduciary duties by causing the ESOP to purchase KPC Healthcare Holdings, Inc. stock for more than fair market value in a transaction that took place on August 28, 2015, engaged in and knowingly participated in a transaction prohibited by ERISA, and failed to make proper disclosures to participants in the ESOP. Defendants deny any liability and have vigorously defended the lawsuit. A detailed description of the claims is contained in the First Amended Complaint, which is available on the following website: www.kpcesopsettlement.com.

¹ Defendants in this case are KPC Healthcare Holdings, Inc., The Administrative Committee of the KPC Healthcare, Inc. Employee Stock Ownership Plan, Kali Pradip Chaudhuri, William E. Thomas, Kali Priyo Chaudhuri, Amelia Hippert, Lori Van Arsdale, Alerus Financial, N.A., and SPCP Group, LLC. The KPC Healthcare, Inc. Employee Stock Ownership Plan was a “nominal defendant,” which means the ESOP was included for technical reasons, but the Plan itself is not alleged to have done anything wrong.

2. What is a Class Action?

A class action is a lawsuit in which the claims and rights of many people are decided in a single court case. One or more representatives known as “class representatives” file a lawsuit asserting claims on behalf of the entire class. The “Class Representative” in this case is Danielle Gamino, a former employee participant in the ESOP.

3. Who is a Member of the Class?

The Court defined the “Class” as follows:

All participants in the KPC ESOP from August 28, 2015 to August 31, 2021 (unless they terminated employment without vesting in the ESOP) and those participants’ beneficiaries.

Excluded from the Class are (a) Defendants, (b) any fiduciary of the Plan; (c) the officers and directors of KPC or of any entity in which one of the individual Defendants has a controlling interest; (d) the immediate family members of any of the foregoing excluded persons, and (e) the legal representatives, successors, and assigns of any such excluded persons.

If you meet the definition of the Class and are not excluded as set forth above, you are a member of the Class.

4. Why Did I Get This Notice?

You received this Notice because the Court ordered that Notice be provided to the participants in the KPC ESOP from August 28, 2015 to August 31, 2021 and their beneficiaries. You were identified from KPC’s records as a potential member of the Class. The purpose of this Notice is to provide you with information about the Settlement and your rights, including your right to object to the Settlement, before the Court decides whether to approve the Settlement.

THE PROPOSED SETTLEMENT

5. What Are the Terms of The Settlement Agreement?

The Settlement requires the KPC Defendants to pay \$5.0 million (the “KPC Settlement Amount”) to resolve all of the claims of the Class against the KPC Defendants arising from the sale of KPC stock to the Plan on August 28, 2015 and the other claims asserted by this lawsuit. The Settlement also requires Alerus to pay \$4.0 million (the “Alerus Settlement Amount”). The combined KPC Settlement Amount and Alerus Settlement Amount are the “Settlement Amount,” which totals \$9.0 million. After deduction of any Court-approved attorneys’ fees and costs and any Court-approved service awards to the Class Representative, the net settlement amount will be distributed to the Class pursuant to a Court-approved distribution formula called the “plan of allocation.” The Settlement does **not** resolve the claims against SPCP Group.

6. What Will Be My Share of the Settlement?

The “Net Settlement Amount”—which means the Settlement Amount less attorneys’ fees, expenses and service awards—will be divided among Class Members according to a plan of allocation that is subject to Court approval. Class Counsel have proposed that the plan of allocation should be based on each active employee Class Member’s number of vested and

unvested shares of KPC stock in their ESOP account as of August 31, 2021 or, if a Class Member terminated employment prior to August 31, 2021, the number of vested shares in such Class Member's ESOP account at the date of termination plus any previously unvested shares that vested upon Plan termination. The plan of allocation does not include shares in the ESOP's suspense account that were allocated to active employee participants upon plan termination or unvested shares that were previously forfeited pursuant to the terms of the Plan. Your estimated settlement allocation is listed on the first page of this Notice but is subject to change based on determinations made by the Court. The Net Settlement proceeds will be deposited into the Class Members' Plan accounts no later than 30 days following the date of the transfer of the Net Settlement Amount to the Plan (which will occur after the date the Court's order granting final approval becomes non-appealable).

7. What Do I Give Up As a Result of the Settlement?

In exchange for the settlement payments, the Class, as participants or beneficiaries in the ESOP, will release (i.e., give up) any and all claims against the KPC Defendants, Alerus, and related persons and entities arising out of their duties, responsibilities, acts, or omissions in connection with the sale of the ESOP shares to the Plan on August 28, 2015, allegedly unlawful indemnity arrangements related to the Plan, and, as to the KPC Defendants, disclosures that Plaintiff has alleged KPC Defendants failed to make regarding the Plan. The full terms of the Settlement, including the releases, are available at www.kpcesopsettlement.com. If the Settlement is finally approved, the Court will enter an order dismissing with prejudice all claims against the KPC Defendants and Alerus and preventing any Class members from suing these Defendants in the future on the released claims. The Settlement does **not** release any claims against SPCP Group.

8. Can the Settlement be Terminated?

The Settlement may be terminated under several circumstances, including if the Court does not approve the terms of the Settlement. If this occurs, the claims against the KPC Defendants and Alerus will proceed as if the Settlement had not existed. The Settlement will not be final until after the Court has granted final approval of the settlement and any appeals (i.e., objections) have been resolved (or the time to file all appeals has passed). The earliest that the Settlement will be final is 30 days after the Final Approval Hearing, but it may be later than that. Your patience is appreciated.

9. Why Did the Settling Parties Reach This Settlement?

In deciding to settle the lawsuit, Class Counsel reviewed tens of thousands of relevant documents, conducted more than 15 depositions, and retained experts to analyze the potential amounts owed to the Class in the case. Class Counsel also considered the strength of the claims and defenses and likely arguments by the KPC Defendants and Alerus, the expense, length and likely delay of further litigation, and the risks arising from the existence of unresolved questions of law and fact.

The Court denied the KPC Defendants' and Alerus's motions to dismiss and ruled that Plaintiff had the right to pursue her legal claims; however, the Court did not rule on the merits of any claims. The Court also granted Plaintiff's Motion for Class Certification. However, if the parties had not reached a settlement and the KPC Defendants or Alerus had prevailed on certain of their defenses or on their appeal, then the Class could have recovered nothing from these Defendants.

If, however, the lawsuit had continued against the KPC Defendants and Alerus and Plaintiffs prevailed, these Defendants may have been liable for more than the Settlement Amount.

Following the Court's ruling on the Motion for Class Certification and significant discovery, the parties agreed to participate in mediation. A settlement with the KPC Defendants was reached only after a full day of mediation with a mediator experienced in ESOP cases. A settlement with Alerus was reached separately and only after three full days of mediation with the same mediator. The Settlement is a compromise of disputed claims. The KPC Defendants and Alerus disputed all of the claims in the lawsuit and asserted various legal defenses. All parties—Plaintiff, Class Counsel, the KPC Defendants and KPC Defendants' counsel, and Alerus and its counsel—determined that given the uncertainty and risks inherent in litigation, it is best to settle the case on the terms set forth in the Settlement Agreements between Plaintiff and the KPC Defendants and Alerus, respectively.

The Court has granted summary judgment to Defendant SPCP Group, LLC. This Settlement does not affect your claims or the Class's claims against SPCP Group and the right to appeal the summary judgment decision.

This is only a summary of the Settlement. For its complete terms, interested persons are encouraged to contact Class Counsel (contact information provided below), view information about the case and the Settlement at www.kpcesopsettlement.com, or review the Settlement Agreements on file with the Clerk of the Court.

10. How Do I Receive my Payment?

The Net Settlement Amount will be transferred to ESOP after the Court grants final approval to the Settlement and the Settlement is no longer subject to any appeals (that will be *at least* 30 days after the final approval hearing but may be longer). Class Members who are entitled to receive a distribution will then promptly receive one (subject to submission of any required distribution forms).

For Class Members who are not immediately eligible to take a distribution, the KPC 401(k) Plan Administrator will re-activate or establish new 401(k) accounts for Class Members who are not current participants in the KPC 401(k) Plan. Each Class Member's settlement allocation in the KPC 401(k) Plan will be invested according to his or her current investment election for new contributions or an instruction that the Class member has submitted about investment of these settlement proceeds. If a Class Member does not have an investment election for new contributions on file with the KPC 401(k) Plan Administrator, then the Class Member's settlement allocation will be invested in the KPC 401(k) Plan's default investment.

You will be able to request a rollover or distribution of your settlement payment from your account consistent with the terms of the KPC 401(k) Plan. You will not be charged any administrative fees for the distribution or rollover of your settlement allocation (if you choose to take an immediate distribution), but if you take a distribution, it may be subject to tax withholding. If you decide to keep your settlement proceeds in the KPC 401(k) Plan, those proceeds will be subject to the same investment and administrative fees as charged to other participants in the KPC 401(k) Plan.

11. How Do I Choose the Form of Payment?

You have the option to request a distribution or a rollover of your settlement payment from your account in the KPC 401(k) Plan. You can request a rollover to an IRA or another employer-sponsored qualified retirement plan if you choose. **Your election distribution package will be sent to you after the KPC 401(k) Plan receives the money from the Settlement (which will be at least 30 days after the Court enters the Final Approval Order but will be longer if there are appeals or objections to the Settlement).**

If you do not return the distribution election form your settlement payment will remain in the KPC 401(k) Plan subject to the terms and conditions of the KPC 401(k) Plan, and the 401(k) Plan Administrator will invest your settlement allocation consistent with your investment instructions or the investment of your other KPC 401(k) Plan assets.

If you do not have a KPC 401(k) Plan account, an account will be established for you.

You should consult with your tax and financial advisor regarding whether to take a distribution or roll the settlement payment over to an IRA or to another retirement plan.

THE LAWYERS REPRESENTING YOU

12. Do I Have a Lawyer in this case?

Yes. The Court has appointed the following law firms to serve as attorneys for the Class:

<u>Co-Lead Class Counsel:</u> R. Joseph Barton BLOCK & LEVITON LLP 1633 Connecticut Ave. Ste. 200 Washington, D.C. 20009 Telephone: (202) 734-7046 KPCESOP@blockleviton.com	<u>Co-Lead Class Counsel:</u> Richard Donahoo DONAHOO & ASSOCIATES, PC. 440 W. First Street Suite 101 Tustin, CA 92780 Tel: (714) 953-1010 rdonahoo@donahoo.com	<u>Co-Lead Class Counsel:</u> Daniel Feinberg FEINBERG JACKSON WORTHMAN & WASOW LLP 2030 Addison Street Suite 500 Berkeley, CA 94704 Tel: (510) 269-7998 kpcesop@feinbergjackson.com
---	--	---

13. How Will the Lawyers be Paid?

Class Counsel have worked on this case for over two years and have not yet been paid for their time. In prosecuting this case on behalf of the Class, Class Counsel investigated the facts, interviewed witnesses, attended court hearings, reviewed documents produced in discovery, took depositions, prepared legal pleadings, and participated in a mediation session and subsequent negotiations. To date, Class Counsel have incurred over 5,500 hours in this case and have advanced over \$685,000.00 in out-of-pocket expenses on behalf of the Class, including for depositions and expert witnesses. Class Counsel will apply to the Court for an award of fees, not to exceed 33.33% of the Settlement Amount. Class Counsel will also seek reimbursement of their actual costs and expenses, not to exceed \$725,00.00. The Motion for Attorneys' Fees, Litigation Costs and Expenses, and Class Representative's Service Award will be available for review on the website maintained by the Settlement Administrator or via PACER, and that Class Members may object to the fees motion by the same deadline as their general objections to the Settlement are due.

Any Class Member who objects to the request by Class Counsel for payment of these attorneys' fees and costs or the request for a class representative payment may state that objection in writing and may appear at the Court's fairness hearing, as set forth below. Class Counsel will file a Motion for Attorneys' Fees, Litigation Costs and Expenses, and Class Representative's Enhancement Award no later than December 30, 2022, 39 days before the date by which you must object to the Settlement's terms. Whether or not you submit a written objection, you are not required to appear at the hearing.

THE COURT'S FAIRNESS HEARING

14. When Will the Court Hold the Fairness Hearing?

On March 10, 2023, at 8:30 a.m. Pacific Time, Judge Blumenfeld will hold a hearing in his courtroom at the United States District Courthouse in Los Angeles, California:

U.S. Courthouse
350 West 1st Street
Los Angeles, California 90012
Courtroom 6C

At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate, whether and in what amount to award Class Counsel with attorneys' fees and reimbursement of expenses and the Class Representative with a service award. If there are objections, the Court will consider them. After the hearing, the Court will decide whether to approve the Settlement, and award attorneys' fees and expenses. We do not know how long the Court will need in order to make these decisions.

The time and date of this hearing may change, so please contact Class Counsel or check www.kpcesopsettlement.com prior to the date of the hearing if you plan to attend.

15. Do I Have to Attend or Can I Attend the Fairness Hearing?

You do not have to attend the hearing. Class Counsel will present the Settlement to the Court and answer any questions the Court may have. If you file a written objection, you are *not* required to attend the hearing in order for your objection to be considered by the Court.

You may come to the hearing at your own expense. You may also arrange for your own separate counsel to attend on your behalf (and at your own expense). You may also ask the Court for permission to speak at the hearing. To ensure that the Court will allow you to speak, you should send a "**Notice of Intention to Appear at Fairness Hearing in *Gamino v. KPC Healthcare Holdings Inc.*, Case No. 5:20-cv-01126-SB-SHK**" to Class Counsel and/or the Settlement Administrator at the addresses listed in this Notice no later than 14 days prior to the final fairness hearing date. Be sure to include your name, address, telephone number, and signature.

HOW TO PROCEED

16. How Do I Tell the Court What I Think About the Settlement?

Any class member can comment on the Settlement or tell the Court that you do not agree with the Settlement or some part of it, including the motion for attorneys' fees and expenses or the service awards to the Class Representative. To object, you must send a letter or other written statement with your objection.

Any written objections must be sent to Class Counsel and/or the Settlement Administrator at the addresses listed in this Notice and must be postmarked no later than February 7, 2023.

Be sure to refer to “*Gamino v. KPC Healthcare Holdings Inc.*, Case No. 5:20-cv-01126-SB-SHK.” Include your name, address, telephone number, signature, and a full explanation of all the reasons you object to the Settlement. The Settlement Administrator or Class Counsel will submit your objection to the Court.

If you do not object to the Settlement, or the request for attorneys’ fees and costs, then you do not need to file any papers with the Court.

17. How Do I Submit a Challenge to Correct My Data or Information?

The data on which Class Counsel and the Settlement Administrator has identified class members and has preliminarily calculated the amount of settlement payments is based on data received from the ESOP Plan Administrator.

If you think that certain information used to calculate your settlement payment is incorrect or that you are member of the Class (and have not received a personalized notice), you can submit a request to the Settlement Administrator explaining why KPC Defendants’ data is incorrect or why you are a member of the Class and are entitled to a payment. Along with your request, you should submit any documentation necessary to support your request. You need to submit any such request or challenge to KPC Defendants’ data by no later than **February 7, 2023** to the Settlement Administrator at the address listed in Section 19.

If you need to update your mailing address, other contact information or provide any other updates, you should also contact the Settlement Administrator at the address or telephone number provided below.

18. Can I Opt Out of the Class?

No. You do not have the right to exclude yourself from the Class or the benefits of the Settlement. The Lawsuit was certified as a mandatory (“non-opt-out”) class action. As a Class Member, you will be bound by any judgments or orders that are entered in the Lawsuit for all claims that were or could have been asserted in the Lawsuit or are otherwise included in the release under the Settlement. Although you cannot opt out of the Settlement, you can object to the Settlement as described above.

GETTING MORE INFORMATION

19. How Do I Get More Information?

There are several types of information that You may want about the settlement:

For Questions about Settlement Procedures, Forms & Administration of the Settlement, or the Information about You, Contact the Settlement Administrator:

You may contact the Settlement Administrator at the following address, email or toll-free telephone number:

KPC ESOP Settlement Administrator
c/o CPT Group, Inc.
50 Corporate Park
Irvine, CA 92606
Email: KPCESOPSettlement@cptgroup.com
Telephone (Toll Free): 1(888) 318-1014

You should contact the Settlement Administrator about any questions about the amount of your shares.

For Questions about the Lawsuit or the Settlement Overall, Contact Class Counsel.

For Questions about the KPC 401(k) Plan, contact the KPC 401(k) Plan Administrator.

If you need to correct or update your investment allocations in the KPC 401(k) Plan or have other questions about the KPC 401k Plan, contact the Plan Administrator at the following telephone number:

Christine Soto
Corporate Benefits Manager
KPC Healthcare, Inc.
1301 N. Tustin Ave.
Santa Ana, CA 92705
Phone: 1(714) 953-2541
Fax: (714) 953-2548
Christine.soto@GlobalMSO.com

Do not contact the Trustee (Alerus), the KPC 401(k) Plan Administrator, or KPC Human Resources with questions about the Settlement as they will not be able to answer questions about the Settlement.

20. How Do I Receive Any Updates and/or Update My Address?

The best way to receive updates is to check the information on www.kpcesopsettlement.com before you contact Class Counsel. If your question is not answered on the website, contact either the Settlement Administrator or Class Counsel at the addresses, email addresses, or telephone numbers listed above.

Please remember that there are several thousand Class Members so it will take a little while to process this Settlement. Your patience is appreciated.

If you need to provide any updated address information, please complete the form on www.kpcesopsettlement.com and email it to the Settlement Administrator at the following email address: kpcesopsettlement@cptgroup.com or the mailing address above.

PLEASE DO NOT CALL THE COURT OR DEFENDANTS' COUNSEL WITH QUESTIONS REGARDING THIS NOTICE OR THE SETTLEMENT.