UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

| Case No.: 5:20-cv-01126-SB-SHK | Date: April 5, 2022 |
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Title: *Danielle Gamino v. KPC Healthcare Holdings, Inc. et al.*

| Present: The Honorable | **STANLEY BLUMENFELD, JR., U.S. District Judge** |
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| Jennifer Graciano<br>Deputy Clerk | N/A<br>Court Reporter |
| Attorney(s) Present for Plaintiff(s):<br>None Appearing | Attorney(s) Present for Defendant(s):<br>None Appearing |

**Proceedings: ORDER GRANTING PLAINTIFF'S MOTION FOR CLASS CERTIFICATION [Dkt. No. 230]**

Plaintiff Danielle Gamino alleges that Defendant SPCP Group, LLC (Defendant or SPCP) knowingly participated in the Employee Retirement Income Security Act of 1974 (ERISA) violations committed by Defendants Kali Pradip Chaudhuri (Dr. Chaudhuri) and Alerus Financial, N.A. (Alerus) in connection with a debt-leveraged purchase of Defendant KPC Healthcare Holdings, Inc.'s (KPC) stock by its employee stock ownership plan (ESOP).[1] The Court previously granted Plaintiff's motion for class certification against Alerus and KPC but denied Plaintiff's request to amend her complaint to add SPCP as a defendant. Dkt. No. 174.[2] After Plaintiff sued SPCP, the Court ordered the two actions consolidated,

[1] The debt-leveraged purchase is hereinafter referred to as the "2015 ESOP Transaction."

[2] "Dkt." refers to the clerk's record in the first-filed case, which is now the only open docket following consolidation. "Closed Dkt." refers to the clerks' record in

Dkt. No. 222, and subsequently denied SPCP's motion to dismiss Plaintiff's claims for appropriate equitable relief, Closed Dkt. No. 50. Plaintiff now moves for class certification against SPCP. *See* Dkt. Nos. 230 (Mot.), 241 (Opp.); 242 (Reply). The Court finds this matter suitable for resolution without oral argument and vacates the April 8, 2022 hearing. Fed. R. Civ. P. 78; L.R. 7-15. For the foregoing reasons, the Court **grants** Plaintiff's motion.

To certify a class under Federal Rule of Civil Procedure 23, Plaintiff must establish the four prerequisites of Rule 23(a) and at least one of the requirements of Rule 23(b). *See Amchem Prods., Inc. v. Windsor*, 521 U.S. 591, 614 (1997). The four requirements of Rule 23(a) are numerosity, commonality, typicality, and adequate representation. *Wal-Mart Stores, Inc. v. Dukes*, 564 U.S. 338, 349 (2011). In light of the Court's prior order granting Plaintiff's motion for class certification against Alerus and KPC[3]—which was largely identical to the instant motion—SPCP concedes each of the Rule 23 prongs except one: Rule 23(a)(4)'s requirement that Plaintiff be an "adequate" class representative. Opp. at 1. Adequacy has two components. The representative's interests must not conflict with those of other class members and the representative must appear to be able to prosecute the action vigorously on the class's behalf. *See Staton v. Boeing*, 327 F.3d 938, 957 (9th Cir. 2003). SPCP does not argue that either Plaintiff or her counsel have conflicts of interest. Rather, SPCP cites excerpts from Plaintiff's deposition testimony and asserts that Plaintiff is an inadequate class representative because she "lacks the requisite knowledge and understanding of the claims against SPCP and has therefore ceded control of the prosecution of those claims to her counsel." Opp. at 2.

"The threshold of knowledge required to qualify a class representative is low; a party must be familiar with the basic elements of her claim . . . , and will be deemed inadequate only if she is startingly unfamiliar with the case." *Moeller v. Taco Bell Corp.*, 220 F.R.D. 604, 611 (N.D. Cal. 2004) (cleaned up); *see also id.* (stating that a representative is inadequate only if she knows "nothing about the case"). A class representative need not "be intimately familiar with every factual

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the second-filed case against SPCP, which the Court terminated on February 18, 2022.

[3] The Court finds all Rule 23 requirements except adequacy satisfied for the same reasons articulated in the Court's prior class certification order. *See* Dkt. No. 174 at 4-13.

and legal issue in the case" as long as she "understand[s] the gravamen of the claim." *In re Worlds of Wonder Sec. Litig.*, No. C 87 5491 SC, 1990 WL 61951, at *3 (N.D. Cal. Mar. 23, 1990). The bar for adequacy is particularly low "in a complex ERISA case such as this one, where the alleged violations are inseparable from the technicalities of securities transactions and corporate valuation." *Fernandez v. K-M Indus. Holding Co.*, No. C 06-7339 CW, 2008 WL 2625874, at *3 (N.D. Cal. June 26, 2008). In such cases, "it is neither fair nor realistic to expect non-attorney class representatives to be able to articulate the precise legal theories underlying their claims." *Id.*; *see also Williams Corp. v. Kaiser Sand & Gravel Co., Inc.*, 146 F.R.D. 185, 188 (N.D. Cal. 1992) ("In complex litigation, a class representative need not have first hand knowledge of all of the details of his or her suit."); *Marshall v. Northrop Grumman Corp.*, No. CV 16-06794-AB (JCX), 2017 WL 6888281, at *7 (C.D. Cal. Nov. 2, 2017) ("Courts are reluctant . . . to deny class certification on the basis that the class representatives lack sophistication.").

SPCP selects portions of Plaintiff's deposition testimony to support its argument that Plaintiff lacks the requisite knowledge of her claims. *See* Dkt. No. 241-2 (Gamino Dep.). SPCP argues that Plaintiff "testified that she did not understand SPCP's purported role in the 2015 ESOP [T]ransaction," "has never seen or read the warrant purchase agreement" between SPCP and KPC, "does not know what the current relationship is between KPC and SPCP," "does not appear to know with whom SPCP allegedly transacted [with] and when," and failed to catch a mistake by her attorneys in the initial complaint (since rectified in the operative First Amended Complaint), which alleged that SPCP sold its common stock warrants to the ESOP rather than KPC. *See* Opp. at 9-10.

SPCP's attempt to characterize Plaintiff as an inadequate class representative because she cannot recite the intimate details of complex transactions and has not read a dense warrant purchase agreement is unavailing. *See Tibble v. Edison Int'l*, No. CV 07-5359 SVW AGRX, 2009 WL 6764541, at *6 (C.D. Cal. June 30, 2009) (describing the low knowledge threshold for a class representative as "especially appropriate in a case . . . involving complicated matters of ERISA law"). A review of the excerpts of Plaintiff's deposition testimony provided by SPCP demonstrates that Plaintiff is not "startingly unfamiliar" with the case. *Moeller*, 220 F.R.D. at 611. Plaintiff demonstrates an understanding of, at a minimum, "the basic contours" of the case. *Hurtado v. Rainbow Disposal Co.*, No. 8:17-cv-01605-JLS-DFM, 2019 WL 1771797, at *9 (C.D. Cal. Apr. 22, 2019). Plaintiff knows that SPCP is "a financial company that provides financing for companies." Gamino Dep. at 6. She also knows that SPCP provided financing related to the 2015 ESOP

Transaction and is aware of the specific forms of consideration SPCP received for its participation in that transaction—a "promissory note[,] . . . the warrants, [and] . . . cash." *Id.* at 8, 10. Contrary to SPCP's claims, Plaintiff is able to state the gravamen of the complaint against SPCP: that the implied price of KPC stock in the 2015 ESOP Transaction should have been a "red flag" to SPCP, especially because they "said they did their due diligence," but SPCP participated in—and benefited from—the transaction anyway. *Id.* at 10. Various courts have deemed class representatives adequate when they evinced less knowledge of their cases than Plaintiff does here. *See, e.g.*, *Marshall*, 2017 WL 6888281, at *9 (finding ERISA class representatives adequate where the deposition testimony showed only that each was "aware they assert that [the] [d]efendants' conduct caused them to pay excessive fees and caused the plans that they participated in to lose money"); *see also Fernandez*, 2008 WL 2625874, at *4 (deeming ERISA class representatives adequate where they were not aware of financial specifics but could articulate "that there were improprieties having to do with the management of the ESOP").

Furthermore, Plaintiff testified that she continues to spend time reading documents produced in discovery, checks the docket every few days to see if new entries have been filed, and reviews new items from her lawyers before they file them.[4] Gamino Dep. at 16. And as the Court noted in its first class certification order, Plaintiff has "assisted in the preparation of the complaint, participated in discovery, [and] appeared for deposition." Dkt. No. 174, at 10. These facts also weigh in favor of finding the adequacy requirement satisfied. *See Allen v. Hyland's Inc.*, 300 F.R.D. 643, 663 (C.D. Cal. 2014) (holding that the representative plaintiffs were adequate in part because they "made themselves available for depositions"); *see also Corcoran v. CVS Health*, No. 15-CV-03504-YGR, 2017 WL 1065135, at *9 (N.D. Cal. Mar. 21, 2017) (deeming the representatives adequate where "each [representative] . . . participated in the litigation by reviewing complaints, attending depositions, and producing documents").

[4] SPCP argues that Plaintiff is an inadequate class representative because she failed to catch a factual error by her attorneys in the initial complaint (since rectified in the operative First Amended Complaint), which alleged that SPCP sold its common stock warrants to the ESOP rather than KPC. Opp. at 10. But SPCP cites no authority for the proposition that a class representative is inadequate if he or she fails to identify a correctible mistake made by her attorneys.

In conclusion, Plaintiff has met the low threshold of knowledge required to qualify her as an adequate class representative. She not only understands the gravamen of her claims but also demonstrates knowledge of various details about SPCP and how it benefited from the 2015 ESOP Transaction. Plaintiff also testified that she continues to be an active participant in this litigation. For these reasons, the Court finds the adequacy requirement of Rule 23(a)(4) to be satisfied. As that is the only Rule 23 requirement disputed by SPCP, the Court therefore **GRANTS** Plaintiff's motion for class certification against SPCP.