

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.

Plaintiff and Defendant SPCP Group LLC in this class action have reached a proposed settlement and the Court has preliminarily approved the Settlement. This notice summarizes the Settlement and informs you of your rights under the Settlement. The complete Settlement Agreement, and other information about this lawsuit, are available at <https://www.kpcesopsettlement.com>.

This Settlement is only with the last remaining defendant (SPCP). As explained in the prior notice, Plaintiff reached two separate settlements with a group of Defendants called the “KPC Defendants and also with Defendant Alerus Financial, N.A. Those prior settlements, totaling \$9 million, have already received final approval by the Court. The Court granted summary judgment in favor of SPCP and Plaintiff filed a notice of appeal from the Court’s judgment. SPCP then filed a motion for attorneys’ fees and expenses seeking more than \$600,000.00 to be paid by the Class out of the prior settlements and/or against Class Counsel. To the extent that the Court awarded fees or expenses against the Class, any amounts awarded to SPCP would reduce the Class recoveries. Plaintiff and SPCP agreed to settle the claim against SPCP in exchange for SPCP paying \$100,000.00 to the Class.

Your settlement payment will be deposited into your ESOP account along with your proceeds from the prior settlements. For details, see Section 10 of the Prior Class Notice, which is available at https://www.kpcesopsettlement.com/KPC_Notice_Final.pdf.

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 and if you are eligible to receive an immediate distribution, your settlement payment will be distributed to you or if you are not eligible to receive a distribution, your settlement payment will be transferred into an account in the KPC 401(k) Plan. For details, see Section 10 of the Prior Class Notice, which is available at https://www.kpcesopsettlement.com/KPC_Notice_Final.pdf .
OPTION #2: 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 September 5, 2023 at the address listed below.
If you object, you will still receive a distribution (if the settlement is approved).

BASIC INFORMATION

1. What Is This Case About?

The lawsuit is a class action on behalf of ESOP participants and beneficiaries alleging that the KPC Defendants and Alerus violated the Employee Retirement Income Security Act (“ERISA”) including 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. The lawsuit alleges that SPCP knowingly participated in a transaction prohibited by ERISA. Defendant SPCP denies any liability and has vigorously defended the lawsuit. The Court granted SPCP’s motion for summary judgment, entering judgment in favor of SPCP and against the Class, on the claim that SPCP had knowledge of the alleged illegality of the 2015 ESOP Transaction. A detailed description of the claims in the First Amended Complaint and the Court’s decision on summary judgment is available at <https://www.kpcesopsettlement.com>.

2. What is a Class Action?

A class action is a lawsuit in which the claims of many people are decided in a single court case. The “Class Representative” is Danielle Gamino, a former employee ESOP participant.

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, 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 members of the Class and you were identified from KPC’s records as a potential member of the Class. This Notice provides 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 SPCP to pay \$100,000.00 to resolve the claim of the Class against SPCP. After deduction of any Court-approved expenses, including the cost of this notice, the net settlement amount (along with the proceeds from the settlements amount paid by the KPC Defendants and Alerus) will be distributed to the Class pursuant to a Court-approved formula called the “plan of allocation.”

6. How will the Settlement Be Divided Among Class Members?

The “Net Settlement Amount”—the Settlement Amount less expenses—will be divided among Class Members according to the substantially same plan of allocation for the other settlements. The proposed plan of allocation is 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.

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

In exchange for the settlement payment, the Class will release (i.e., give up) any and all claims against SPCP that arise out of or relate to the sale of the shares to the ESOP on August 28, 2015, including the right to appeal the Court’s decision granting summary judgment against SPCP. If the Settlement is finally approved, the Court will enter an order dismissing with prejudice the claim against SPCP and preventing Class members from suing SPCP on the released claims, or appealing its summary judgment order. The full Settlement terms, including the releases, are available at <https://www.kpcesopsettlement.com>.

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 appeal regarding the claims against SPCP will proceed as if the Settlement had not existed, and SPCP’s motion for fees and costs will be reinstated. 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?

As explained in the prior notice, https://www.kpcesopsettlement.com/KPC_Notice_Final.pdf, Class Counsel engaged in substantial discovery. After completing fact discovery, the Court granted summary judgment in favor of SPCP. Plaintiff filed a notice of appeal of that decision, which remains pending. In the meantime, SPCP sought to recover more than \$600,000 in fees and costs, which, if and to the extent the Court granted that request against the Class, would have decreased the amount available to be paid to the Class. Additionally, even if the appeal was successful, the relief against SPCP was limited to the funds that it had received in the 2015 Transaction, and Class Counsel was concerned whether that would ever be recoverable even after a successful appeal. As a result, Plaintiff and Class Counsel concluded that it was better to accept this settlement rather than the risk a reduction of the amount to be paid to the Class from the prior settlements.

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) in the same way and at the same time as

the proceeds from the other settlements are paid (either as an immediate distribution or into the KPC 401(k) Plan). For details, see Section 10 of the Prior Class Notice, which is available here: https://www.kpcesopsettlement.com/KPC_Notice_Final.pdf.

THE LAWYERS REPRESENTING YOU

11. Do I Have a Lawyer in this case?

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

<p><u>Co-Lead Class Counsel:</u> R. Joseph Barton BARTON & DOWNES LLP 1633 Connecticut Ave. Ste. 200 Washington, D.C. 20009 Telephone: (202) 734-7046 kpcesop@bartondownes.com.</p>	<p><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</p>	<p><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</p>
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13. How Will the Lawyers be Paid?

Although Class Counsel have expended substantial additional time on the litigation against SPCP even after the Fairness Hearing on the other settlements, Class Counsel do not intend to ask for any attorneys’ fees to be paid out of this settlement with SPCP. Class Counsel will only request reimbursement of their actual costs and expenses, not to exceed \$10,000 in addition to any amounts to paid for class notice and settlement administration (which is expected to be less than \$5,000). That Motion for Expenses will be available for review on <https://www.kpcesopsettlement.com>. Class Members can object to the request for expenses in the same manner and by the same deadline as objections to the settlement.

THE COURT’S FAIRNESS HEARING

14. When Will the Court Hold the Fairness Hearing?

On October 20, 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

The time and date of this hearing may change, so you should contact Class Counsel or check <https://www.kpcesopsettlement.com> prior to the date of the hearing if you plan to attend. At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate, whether and in what amount to reimburse any expenses to Class Counsel. If there are objections, the Court will consider them. We do not know how long the Court will take to make these decisions.

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). If you want to speak at the hearing and to ensure the Court allows you to speak, please 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 at the addresses listed in this Notice at least 14 days before the final fairness hearing date and 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 expenses. 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 September 5, 2023. Be sure to refer to “*Gamino v. KPC Healthcare Holdings Inc.*, Case No. 5:20-cv-01126-SB-SHK” and include your name, address, telephone number, signature, and an explanation of 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 expenses, then you do not need to file any papers with the Court.

17. Can I Opt Out of the Class?

No. You do not have the right to exclude yourself from the Class or the Settlement. The Lawsuit was certified as a mandatory 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.

GETTING MORE INFORMATION**19. How Do I Get More Information?**

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

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

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

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

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

The best way to receive updates is to check <https://www.kpcesopsettlement.com>. 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 updated address information, please email it to the Settlement Administrator at the following email address: KPCESOPSettlement@cptgroup.com or the mailing address above.

<<FullName>>
<<Address1>> <<Address2>>
<<City>>, <<State>> <<Zip>>