

**UNITED STATES DISTRICT COURT FOR  
THE DISTRICT OF IDAHO**

HONGBO SHAO, et al.,

*Plaintiffs,*

v.

SEROFIM MUROFF, et al.,

*Defendants.*

Case No. 1:18-cv-00295-BLW

**NOTICE OF PROPOSED PARTIAL  
SETTLEMENT OF CLASS ACTION**

*Under law, a federal court has authorized this notice.*

If you purchased or otherwise acquired Member Interests in Blackhawk Gold, LLC (“Blackhawk Gold”) between January 1, 2010 through August 15, 2019 (“Class Period”), you may be a member of the Settlement Class (“Class”) and your rights may be affected by the partial settlement (“Partial Settlement”) of this action.

The Partial Settlement does not end this lawsuit against all the Defendants. Defendants Serofim Muroff, Raymond Ku, Winner Xing, Equity Recap Account, LLC, Westlead Capital Inc. d/b/a Westlink or West Link, and Worldway Group (“Non-Settling Defendants”) will remain in this lawsuit and this action.

A summary of the Partial Settlement is included below but is not intended to describe all of the material terms of the Partial Settlement:

- If approved by the Court, the Partial Settlement provides that the current Managing Member of Blackhawk Gold expects to terminate its engagement concurrently with the election of a Newly Elected Managing Member chosen by the members of Blackhawk Gold. The current Managing Member will cooperate with the members to facilitate the election of the Newly Elected Managing Member to manage Blackhawk Gold for the benefit of the members.
- Under the Partial Settlement, Defendants Blackhawk Gold, LLC (“Blackhawk Gold”), Blackhawk on the River, LLC (“BOTR”), Idaho State Regional Center, LLC (“ISRC”), ISR Capital, LLC (“ISR Capital”), The McCall Associates, LLC (“McCall Associates”), Idaho State Gold Company, LLC (“Idaho State Gold”), and Lemhi Gold Trust, LLC (“Lemhi Gold”) (collectively, the “Settling Defendants”) are the only parties that will be released from the lawsuit, except that Blackhawk Manager also will be considered a Settling Defendant if the parties confirm that Defendant Muroff (or any entity he controls) is not its owner. The Non-Settling Defendants will remain in the lawsuit.
- As part of the Partial Settlement, the Settling Defendants have confirmed BOTR, McCall Associates, Idaho State Gold, and Lemhi Gold are entities that are owned in whole or in part, either directly or indirectly, by Blackhawk Gold. This information

is not publicly available and was only discovered by the Plaintiffs after significant investigation.

- The Newly Elected Managing Member shall be the party elected by Majority Interest Vote as a successor Managing Member of Blackhawk Gold, as contemplated in Section 9.9 of the Blackhawk Gold Operating Agreement. The Independent Manager and Independent Monitor expect to terminate their engagements with Blackhawk Manager concurrently with the election of the Newly Elected Managing Member.
- As to Blackhawk Gold, BOTR, ISRC, ISR Capital, McCall Associates, Idaho State Gold, and Lemhi Gold, the Partial Settlement fully resolves this lawsuit and all actual or potential claims that you or any Class member may have against these entities related to your investments in Blackhawk Gold, including those described in the Fourth Amended Complaint filed on February 1, 2019. The lawsuit will continue against the Non-Settling Defendants in this action.
- Your legal rights will be affected whether you act or do not act. If you do not act, you may permanently forfeit your right to object to this Partial Settlement. Therefore, you should read this notice carefully.
- You can locate information about the Partial Settlement, including the pertinent documents at: <http://blackhawkgoldllc.com/investor-info.html>

### **YOUR LEGAL RIGHTS AND OPTIONS IN THIS PARTIAL SETTLEMENT**

<b>EXCLUDE YOURSELF NO LATER THAN MARCH 24, 2020</b>	This is the only option that allows you to be part of any other lawsuit against the Settling Defendants about the legal claims in this case.
<b>OBJECT NO LATER THAN MARCH 24, 2020</b>	Write to the Court about why you do not like the settlement.
<b>GO TO A HEARING ON JULY 14, 2020, AT 11:00 A.M.</b>	Speak in Court about the fairness of the settlement. You must provide notice to the Court of your intent to speak in Court by March 24, 2020.
<b>DO NOTHING</b>	Give up your other options set forth above.

### **INQUIRIES**

**Please do not contact the Court regarding this notice.** All inquiries concerning this Notice or any other questions by Class members should be directed to:

<p style="text-align: center;"><b>COUNSEL FOR PLAINTIFFS:</b></p> <p>Walter H. Bithell  BITHELL LAW PLLC  199 N Capitol Blvd, Suite 500  Boise, ID 83702  Telephone: 208.336.4440  Email: walter@bithelllaw.com</p> <p>J. Justin May  T.J. Angstman  Kylie L. Madsen  ANGSTMAN JOHNSON  199 N. Capitol Blvd., Suite 200  Boise, Idaho 83702  Telephone: (208) 384-8588  Email: tj@angstman.com  kylie@angstman.com  jjm@angstman.com</p>	<b>Or</b>	<p style="text-align: center;"><b>COUNSEL FOR SETTLING  DEFENDANTS:</b></p> <p>Sean T. Prosser  MINTZ LEVIN COHN FERRIS GLOVSKY  &amp; POPEO, P.C.  3580 Carmel Mountain Road, Suite 300  San Diego, CA 92130  Telephone: 858.314.2152  Email: STProsser@mintz.com</p> <p>Richard C. Boardman  PERKINS COIE LLP  1111 West Jefferson Street, Suite 500  Boise, ID 83702-5391  Telephone: 208.343.3434  Email: <a href="mailto:RBoardman@perkinscoie.com">RBoardman@perkinscoie.com</a></p>
--	-----------	--

## COMMON QUESTIONS AND ANSWERS CONCERNING THE PARTIAL SETTLEMENT

### 1. Why did I get this Notice?

You or someone in your family may have acquired Member Interests in Blackhawk Gold, LLC during the Class Period.

### 2. What is this lawsuit about?

The case is known as *Hongbo Shao, et al., individually and on behalf of a class of other similarly-situated persons v. Serofim Muroff, et al.*, Case No. 1:18-cv-00295-BLW (the “Litigation”), and the Court in charge of the case is the United States District Court for the District of Idaho.

The Class Action involves whether Plaintiffs’ investments in Blackhawk Gold were misappropriated or fraudulently transferred in violation of Idaho securities laws, based upon the allegations set forth in the Fourth Amended Complaint filed on February 1, 2019.

### 3. Does the Partial Settlement end the lawsuit?

No. The Partial Settlement resolves all of the claims in the Class Action against Defendants Blackhawk Gold, BOTR, ISRC, ISR Capital, McCall Associates, Idaho State Gold, and Lemhi Gold. The remaining claims against the Non-Settling Defendants will continue after the Partial Settlement is finalized.

### 4. Why is this a class action?

In a class action, one or more persons and/or entities, called Plaintiff, sues on behalf of all persons and/or entities who have similar claims. All of these persons and/or entities are referred to collectively as a Class, and these individual persons and/or entities are known as Class Members. One court resolves all of the issues for all Class Members, except for those Class Members who exclude themselves from the Class.

### 5. Why is there a Settlement?

Plaintiffs and the Settling Defendants do not agree regarding the merits of Plaintiffs’ allegations with respect to liability or the amount of damages that would be recoverable if Plaintiffs were to prevail at trial on each claim. This matter has not gone to trial and the Court has not decided in favor of either Plaintiffs or the Settling Defendants. Instead, Plaintiffs and the Settling Defendants have agreed to settle the Class Action as to the claims against the Settling Defendants, only. The Plaintiff and Class Counsel believe the settlement is best for all Class Members because of the risks and costs associated with continued litigation and the nature of the defenses raised by Settling Defendants. Even if Plaintiff were to win at trial, Settling Defendants could file an appeal, the outcome of which would be uncertain.

**6. How do I know if I am part of the Class settlement?**

You are part of the Class settlement if you are a Class Member. To be a Class Member, you must have acquired Member Interests in Blackhawk Gold, LLC between January 1, 2010 through August 15, 2019.

**7. What does the Partial Settlement provide?**

Under the Partial Settlement, Defendants Blackhawk Gold, Blackhawk Manager, BOTR, ISRC, ISR Capital, McCall Associates, Idaho State Gold, and Lemhi Gold, by and through the Independent Manager, shall facilitate the transfer of management control to the Newly Elected Managing Member. The Newly Elected Managing Member shall be the party elected by Majority Interest Vote as a successor Managing Member of Blackhawk Gold, as contemplated in Section 9.9 of the Blackhawk Gold Operating Agreement. To do so, the Independent Manager and the Independent Monitor will work cooperatively with the Newly Elected Manager for a reasonable period of time to be negotiated and conditioned upon execution of separate engagement agreements that will describe further terms, including compensation. Further, the Independent Manager and Independent Monitor expect to terminate their engagements with Blackhawk Manager concurrently with the election of the Newly Elected Managing Member.

**8. What am I giving up by staying in the Class?**

Unless you exclude yourself, you will remain in the Class. That means that if the Partial Settlement is approved, you and all Class Members will release the Released Claims against the “Released Parties” defined as the Settling Defendants, as well as the Independent Manager, the Independent Monitor, and the Independent Manager’s and Independent Monitor’s affiliates, owners, members, officers, contractors, agents, attorneys, accountants, consultants, employees, and vendors. If you sign the claim form, you are agreeing to a Release of Claims which will bar you from ever filing a lawsuit against any Released Party.

Further detail and information about what you are agreeing to and giving up is detailed in the Stipulation of Partial Settlement, which was filed in this case on November 15, 2019.

**9. How do I get out of the Settlement?**

If you want to keep any right you may have to sue or continue to sue the Settling Defendants on your own based on the legal claims raised in this Class Action, then you must take steps to get out of the Partial Settlement. This is called excluding yourself from – or “opting out” of – the Partial Settlement. To exclude yourself from the Partial Settlement, you must mail a letter stating you want to be excluded as a Class Member from *Hongbo Shao, et al., individually and on behalf of a class of other similarly-situated persons v. Serofim Muroff, et al.*, Case No. 1:18-cv-00295-BLW. Be sure to include your name, address, telephone number and your signature, along with an accurate list of all of your investments in Blackhawk Gold, and supporting account documentation. You must mail your exclusion request so that it is received no later than March 24, 2020 to:

**Counsel for Plaintiffs:**

Walter H. Bithell  
BITHELL LAW  
199 N Capitol Blvd, Suite 500  
Boise, ID 83702  
Telephone: 208.336.4440  
Email: walter@bithelllaw.com

J. Justin May  
T.J. Angstman  
Kylie L. Madsen  
ANGSTMAN JOHNSON  
199 N. Capitol Blvd., Suite 200  
Boise, Idaho 83702  
Telephone: (208) 384-8588  
Email: tj@angstman.com  
kylie@angstman.com  
jjm@angstman.com

You cannot exclude yourself by telephone or by e-mail. If you ask to be excluded, you cannot object to the Settlement. If you ask to be excluded in conformity with this Notice, you will not be legally bound by anything that happens in this Class Action.

**10. If I do not exclude myself, can I sue the Settling Defendants for the same thing later?**

No. Unless you exclude yourself, you give up any right to sue any Settling Defendants for the claims that this Partial Settlement resolves. If you have a pending lawsuit, speak to your lawyer in that case immediately, since you may have to exclude yourself from this Class to continue your own lawsuit.

**11. If I do not exclude myself, can I sue the Non-Settling Defendants?**

Yes. You can file a separate lawsuit, but this lawsuit will continue as to the Non-Settling Defendants.

**12. Do I have a lawyer in this case?**

As part of the settlement, Plaintiffs have requested that the Court appoint the law firms Bithell Law PLLC and Angstman Johnson to represent the Class Members for the purposes of this settlement (“Class Counsel”). You have the option to retain your own separate counsel, at your own cost and expense. You need not retain your own separate counsel to opt-out, object, or appear at the Settlement Hearing.

**13. How do I tell the Court that I do not like the Partial Settlement?**

You can tell the Court you do not agree with the Partial Settlement, any part of the Partial Settlement, and that you think the Court should not approve the Partial Settlement, by

mailing a letter stating that you object to the Partial Settlement in the matter of *Hongbo Shao, et al., individually and on behalf of a class of other similarly-situated persons v. Serofim Muroff, et al.*, Case No. 1:18-cv-00295-BLW. Be sure to include your name, address, telephone number, your signature, a list of all of your investments in Blackhawk Gold to show your membership in the Class, and all of the reasons you object to the Partial Settlement. Be sure to mail the objections to the three different places listed below, received no later than March 24, 2020, so the Court will consider your views:

**Clerk of the Court**

United States District Court  
District of Idaho  
550 W. Fort St., Suite 400  
Boise, ID 83724

**Counsel for Plaintiffs:**

Walter H. Bithell  
BITHELL LAW  
199 N Capitol Blvd, Suite 500  
Boise, ID 83702  
Telephone: 208.336.4440  
Email: [walter@bithelllaw.com](mailto:walter@bithelllaw.com)

**Counsel for Settling Defendants:**

Sean T. Prosser  
MINTZ LEVIN COHN FERRIS GLOVSKY  
& POPEO, P.C.  
3580 Carmel Mountain Road, Suite 300  
San Diego, CA 92130  
Telephone: 858.314.2152  
Email: [STProsser@mintz.com](mailto:STProsser@mintz.com)

J. Justin May  
T.J. Angstman  
Kylie L. Madsen  
ANGSTMAN JOHNSON  
199 N. Capitol Blvd., Suite 200  
Boise, Idaho 83702  
Telephone: (208) 384-8588  
Email: [tj@angstman.com](mailto:tj@angstman.com)  
[kylie@angstman.com](mailto:kylie@angstman.com)  
[jjm@angstman.com](mailto:jjm@angstman.com)

Richard C. Boardman  
PERKINS COIE LLP  
1111 West Jefferson Street, Suite 500  
Boise, ID 83702-5391  
Telephone: 208.343.3434  
Email: [RBoardman@perkinscoie.com](mailto:RBoardman@perkinscoie.com)

Attendance at the Settlement Hearing is not necessary but persons wishing to be heard orally in opposition to the Partial Settlement are required to indicate in their written objection (or in a separate writing that is submitted in accordance with the deadline and after instruction pertinent to the submission of a written objection) that they intend to appear at the Settlement Hearing and identify any witnesses they may call to testify or exhibits they intend to introduce into evidence at the Settlement Hearing.

**14. What is the difference between objecting and requesting exclusion?**

Objecting is simply telling the Court you do not like something about the Partial Settlement. You can object only if you stay in the Class. Requesting exclusion is telling the Court you do not want to be part of the Class and Partial Settlement. If you exclude yourself, you cannot object to the Partial Settlement because it no longer concerns you. If

you stay in the Class and object, but your objection is overruled, you will not be allowed a second opportunity to exclude yourself and you will be bound by any order issued by the Court.

**15. When and where will the Court decide whether to approve the Partial Settlement?**

The Court will hold a Settlement Hearing on July 14, 2020, at 11:00 a.m., at the United States District Court, District of Idaho, 550 W. Fort St., Boise, ID 83724.

At this hearing, the Court will consider whether the Partial Settlement is fair, reasonable, and adequate and whether to approve the Partial Settlement. If there are objections, the Court will consider them, and the Court will listen to people who have asked to speak at the hearing.

**16. Do I have to come to the hearing?**

No. Class Counsel will answer any questions the Court may have. However, you are welcome to attend at your own expense. If you send an objection, you do not have to come to Court to talk about it. If you mail your written objection on time, the Court will consider it.

**17. What happens if I do nothing at all?**

Unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against Settling Defendants about the claims made in this case ever again.