

Michael D. McKay, Receiver

P.O. Box 40

Seattle, WA 98111-0040

Internet: www.zidarreceivership.com

E-mail: info@zidarreceivership.com

866-686-9753

August 2, 2004

Dear Claimant:

As the court-appointed Receiver in *Securities and Exchange Commission v. John Wayne Zidar, et. al.*, United States District Court, Western District of Washington, No. C00-823C, I am pleased to inform you that on July 23, 2004, U.S. District Judge John C. Coughenour approved our April 26, 2004 pro rata distribution proposal. Judge Coughenour's order is posted on our website, www.zidarreceivership.com.

The Court adopted several procedures and deadlines for implementing the distribution plan. First, the Court directed my office to post a Distribution Report on our website. I encourage you to review this report, which identifies (1) the name of each investor, (2) the claimed loss, (3) offsets for investment returns, (4) offsets for commission payments, (5) the Verified Amount¹ of loss, and (6) the pro rata distribution proposal. It can be reviewed at www.zidarreceivership.com.

Pursuant to the July 23, 2004 order, any investor who intends to object to his or her pro rata distribution must do so by September 16, 2004. The objection must be both mailed to my office and filed with the Court by that date. The Court may deem any objection that is not timely filed as waived. My office will have 20 days to respond to any timely-filed and timely-mailed objection.

Please note that if you are represented by an attorney, you should direct all inquiries through your attorney. He or she will be able to answer your questions. More importantly, you should coordinate the filing of any objection to this plan with your attorney. He or she will be able to facilitate your paperwork in a timely fashion.

The Court will conduct a hearing on or before October 8, 2004 to consider, approve, and/or deny each individual proposed pro rata distribution and any timely-filed objections. It is expected that the Court will rule on objections at that hearing or soon

¹ The Verified Amount of loss is defined as the total amount invested less investment funds returned and/or commission payments received. Please reference the Receiver's Petition for Approval of Proposed Distribution Plan for more detail on the Verified Amount of loss. The petition is also located on the website at www.zidarreceivership.com.

thereafter. It is also anticipated that the Court will direct our office to distribute funds consistent with the final order it will issue soon after it makes its rulings.

It would be most efficient for you to access all relevant information, including the Distribution Report, over the Internet at www.zidarreceivership.com. However, if you cannot access the Internet at home, your local library or at another similar location, please do not hesitate to call our office at 1-866-686-9753, a toll-free number. **Again, if represented by counsel, your attorney can answer many questions, and we encourage you to contact your attorney with initial inquiries.**

Any objections must be mailed to my office at the following address:

Michael D. McKay, Receiver
P.O. Box 40
Seattle, WA 98111-0040

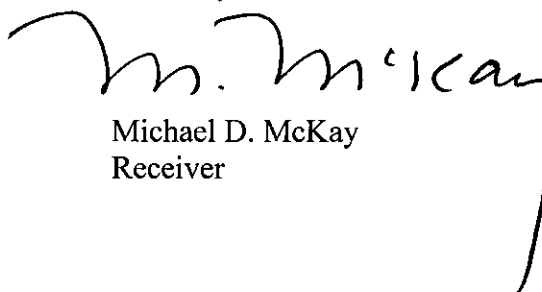
You must also file any objection with the United States District Court for the Western District of Washington in Seattle under the case entitled *Securities and Exchange Commission v. John Wayne Zidar, et. al.*, No. C00-823C. The court's address is 1010 5th Avenue, Seattle, WA 98104. Please note that the District Court is moving, and after August 13, 2004, its new mailing address will be 700 Stewart Street, Seattle, WA 98101.

It is important to emphasize that the pro rata distribution recommended in the Distribution Report is subject to change depending on the Court's final order. The amount each investor receives may increase or decrease depending on the Court's ultimate ruling. For instance, it will fluctuate up or down as the Court rules on the various objections that may be filed by individual investors.

Moreover, my office continues to recover assets related to the defendants' financial activities. We expect to receive funds and/or liquidate assets after this initial distribution. As a result, the Court has ordered my office to submit a supplemental distribution proposal six (6) months after the initial distribution. The supplemental distribution will use the same pro rata ratio established in the initial distribution, as approved by the Court.

I hope you find this information helpful. Please do not hesitate to contact our office if you have any questions.

Sincerely,



Michael D. McKay
Receiver