

ZIDAR RECEIVERSHIP
C/O MCKAY CHADWELL, PLLC
P.O. Box 40
Seattle, WA 98111-0040
(866) 686-9753
Fax: (206) 233-2809

MEMORANDUM

Date: November 22, 2004
To: All Claimants in the Matter *SEC v. Zidar*
From: Michael D. McKay, Receiver
Subject: Update on the Status of Zidar Receivership

I wish to update you on the status of the receivership process and the restitution of funds recovered from John Wayne Zidar and his co-defendants. I also want to thank you for your cooperation in providing the necessary investment documentation and claim questionnaires.

On April 26, 2004, after reviewing and evaluating over 3,490 investor claims, I filed a Proposed Distribution Plan with the Court. My main recommendation to the Court was that each investor with a verified and confirmed loss recover a pro rata share of his or her original investment, less any funds returned and/or commission payments.

On July 23, 2004, U.S. District Court Judge John C. Coughenour approved my distribution plan. The July 23, 2004 order directed my office to complete the following steps:

- § To post on our website by August 2, 2004 a Distribution Report, or spreadsheet listing each investor's name, claimed loss, and projected recovery amount;
- § To notify each investor by mail by August 2, 2004, of their right to file a formal objection to the Receiver's Distribution Report;
- § To respond to investors' objections within 20 days after the objection period expires;
- § To stop accepting or considering any new investor claims as of August 2, 2004; and
- § To continue to attempt to recover additional assets for liquidation, and to submit a supplemental distribution proposal to the Court within six months of the initial distribution, if the Receiver is able to recover any outstanding assets.

As a result of this Order, we stopped accepting new claims and directed all investors wishing to file a new claim to petition the Court directly.

On September 13, 2004, the Court issued an Order granting attorney David Smith's

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motion to extend the objections period to October 7, 2004. The Court further ordered that the Receiver would have 20 days after the expiration of the objections period to file his response to the investors' objections. Further, on September 16, 2004, the Court ordered that all outstanding new claims be filed with the Court by September 29, 2004, and that all claims received after that date would be denied. The Court directed my office to provide the Court with recommendations on whether new applicants have a good faith reason for not responding to the Receiver's initial mailing in December of 2002.

On October 27, 2004, we filed our response to the investors' objections (you can view the response on our website under "Reports from the Receiver"). Also, contained in our response were the recommendations on whether, in our opinion, new applicants had a good faith reason for not responding to our initial mailing.

On November 2, 2004, the Court issued an Order directing the parties to show cause why an in-court hearing regarding the proposed distribution and objections is necessary by November 12, 2004. The Court subsequently amended its November 2, 2004 order on November 9, 2004, and continued the deadline by which parties need to show cause why an in-court hearing is necessary from November 12, 2004, to November 29, 2004. We are currently awaiting the Court's decision on whether the Court will hold an in-court hearing on the distribution and the objections, and we will continue to update the website.

I am grateful for your assistance during this busy year, and I appreciate your patience and understanding as we are reaching the conclusion of this matter. Should you have any questions, please feel free to contact us by telephone (toll free at 866-686-9753), via e-mail at info@zidarreceivership.com, or by postal mail at the address above.