

July 22, 2010

At the inception of the receivership, demands were made for repayment of all outstanding loans made by KCM to borrowers from proceeds of KCM's note offerings to members of the public. To date, certain of the notes have been repaid in the following amounts:

Daniel Frishberg (personal)	\$122,069.00
David Wallace (personal)	\$ 92,348.00
Costa Bajjali (personal)	\$ 45,550.00

In a series of poorly documented transactions, \$300,000 in KCM funds was transferred to Masterpiece Investments in the form of a loan to Masterpiece, payment for a number of Masterpiece sculptures and payment for shares of common stock in Masterpiece. In settlement, Masterpiece has agreed to repay KCM the amount of \$100,000 payable in installments over a six-month period of which, to date, \$20,000 has been collected. In addition, as part of the settlement with Masterpiece, the shares of Masterpiece stock were cancelled and Masterpiece has agreed to re-sell the ten pieces of Masterpiece sculptures within the possession of the Receivership Estate in its gallery in Naples, Florida. Masterpiece will market those sculptures at no charge to the Estate and all proceeds from sale of the sculptures will be paid into the Receivership Estate. To date, no sales have been concluded.

Protechnik Inc. and its principal, Brian De Armas, have declined to make payment on their outstanding indebtedness to KCM in the amount of \$160,937.50. Accordingly, on April 13, 2010 the Receiver initiated a civil action in the United States District Court (*Thomas L. Taylor III, solely in his capacity as court-appointed Receiver for Kaleta Capital Management, Inc. v. Protechnik, Inc. and Brian De Armas*, No. 4:10-cv-1189) against them. The Receiver will seek payment in full of the principal, along with interest, costs of suit and attorneys fees. Protechnik has filed an Answer, and the lawsuit has been consolidated with the main action before Judge Nancy Atlas.

Following demand for payment of all indebtedness to KCM, extensive settlement negotiations were conducted between the Receiver and Daniel Frishberg Financial Services, Inc. ("DFFS") and Businessradio Network LP and affiliates ("BizRadio"). Loans to those entities represent the majority of the funds which were loaned from proceeds of the KCM note offerings. Negotiations did not prove fruitful with respect to those entities or their principals (other than as noted above). Accordingly on May 4, 2010 the Receiver moved the Court to include the DFFS and the BizRadio entities in the Receivership Estate. The Motion to extend the Receivership was based upon extensive commingling and conflation of KCM proceeds and assets with those entities. Following discovery and an initial hearing before the Court, the parties entered into an agreement pursuant to which those entities were voluntarily placed within the Receivership. The US District Court granted the Motion on Jun 17, 2010 and accordingly those entities are now within the Receivership Estate.

Extensive negotiations have also been conducted between the Receiver and Wallace Bajjali affiliated entities with respect to borrowings from KCM by those entities and their principals. To date, repayment arrangements have not been successfully concluded other than as noted above with respect to personal notes of Bajjali and Wallace. The indebtedness of the Wallace Bajjali entities to KCM, however, has been acknowledged albeit with no agreement concluded as to a repayment schedule.

Based upon the recent inclusion of BizRadio in the Receivership Estate, negotiations have now been commenced with respect to potential liability of the Wallace Bajjali entities and their principals with respect to investments by members of the public in BizRadio directly, and in other related investment vehicles. To date no agreements have been reached with respect to these matters.

Prior to the expansion of the Receivership to include the BizRadio entities, BizRadio had entered into an agreement with respect to the sale of its KTEK radio station license to Salem Communications Corporation. The Receiver is engaged in ongoing discussions with Salem concerning its purchase of the radio station under the changed circumstances implicated by the Receivership. Also prior to the inclusion of BizRadio in the Receivership Estate, litigation had been commenced by another potential purchaser of the station. In that litigation the Plaintiff asserted that it held the right to acquire the station in a prior transaction -- which assertion was contested by BizRadio management. That litigation, pending in Harris County District Court is stayed as to BizRadio because of the present Receivership. The Receiver has also been approached by that potential purchaser with respect to an offer to purchase the radio station license.

Several BizRadio investors have inquired with respect to the status of 2009 tax information. The Receiver is attempting to ascertain the status of tax information processing but of this date we are unable to project when information will be processed and made available.