

Robb Evans & Associates LLC

Receiver

in the matter of

The People of the State of California vs. Mercedes Navarrete, Felix Navarrete, Joan Frederick et al.

December 4, 2003

In its February 18, 2003 Order, this Court directed the Receiver to, among other issues, determine the identity of claimants in this matter and to notify known investors of their right and duty to submit a claim. This report will set forth the results of the claims process and will present the Receiver's conclusions for consideration by the Court.

Investor Claims

After this Court's ruling at the July 18, 2003 hearing, the Receiver sent letters by registered mail to 10,856 potential claims in the six-county metropolitan Los Angeles area. Under Tab 1 is a copy of the English version of the letter that was mailed in both English and Spanish to potential claimants. The Receiver did not send letters to an additional 3,367 claimants who had previously submitted claims information. The table below details the results of the mailing.

	Number	Percent of total
Claims returned and processed	1,537	14.2
Returned as unclaimed or bad address	4,453	41.0
Claims returned one month or more after the claims bar date	55	0.5
No response	4,811	44.3
Total	10,856	100.0

The table below details the claims received and processed from all sources.

Claims received from LAPD and District Attorney	697
Claims received from attorneys	1,850
Claims received from registered mailing	1,537
Claims received from Receiver's advertising	1,177
Total claims received prior to the extended claims bar date	5,261

The total claims received represent 37% of the 14,223 potential claimants in the six- county areas.

The Receiver's staff reviewed each submitted claim and made specific adjustments for the following reasons:

- Claimants wrote receipts to themselves.
- Multiple claimants claimed payments (primarily meeting tickets) using the same receipts.
- Partially blank receipts without any leader's signature or ID number.
- Receipts that were different from the known forms that La Luz de Oro leaders used.
- Receipts that indicated other purposes (i.e. tax preparation, entertainment, flip chart, etc.).

After the initial claims review, the Receiver's staff then subtracted all payments made by La Luz de Oro to the claimants to arrive at each individual's net out of pocket loss. The table below details 538 claims that the Receiver is recommending be rejected in total.

Reason for rejection	Dollar Amount	Number of claimants
No claim amount submitted or no supporting documents	\$0.00	167
Amount paid to La Luz equaled the amount received from La Luz	\$0.00	10
Amount paid to La Luz was less than the amount received from La Luz	\$519,293.35	361
Total	\$519,293.35	538

In addition to the claim for other funds invested with La Luz de Oro, 225 claimants included a request to allow an additional claim for automobile payments. After considering these requests, the Receiver is recommending these claims be rejected, because the claimants had usage of the automobiles.

The table below details the claims the Receiver is recommending be approved. The gross amount of these claims was \$6,012,711.00. The gross amount was adjusted by \$591,199.79, which represents the total payments made by La Luz de Oro to the claimants. The gross amount was also adjusted by \$68,645.00, which represents claims that were adjusted due to partially insufficient documentation.

Dollar range	Total net out of pocket loss	Number of claimants
0 – 50	\$2,600.00	84
51 – 99	\$29,670.00	396
100 – 200	\$123,335.00	777
201 – 499	\$334,271.61	950
500 – 999	\$473,730.00	655
1,000 – 2,499	\$1,986,738.37	1,142
2,500 – 4,999	\$2,129,034.86	672
5,000 – 7,499	\$240,406.37	43
7,500 – 9,999	\$33,080.00	4
Total	\$5,352,866.21	4,723

The Receiver is projecting that about \$1,800,000.00 will be available for distribution to the 4,723 claimants. Therefore, the claimants' net recovery ratio is projected to be 33.63%

Non Investor Claims

In previous reports, the Receiver notified the Court of certain non investor claims. The Receiver previously advised the Court of claims filed by Mitsubishi Motor Credit Corp of America (MMCA) and Motors Insurance Corporation (MIC), the insurance company for Miller Nissan. Additionally, the Receiver has been provided with claim information from the State of California Franchise Tax Board. The Receiver has analyzed each of these claims and respectfully recommends to the Court the following disposition of each of these non-investor claims.

- Mitsubishi Motor Credit Corp of America (MMCA)

The original claim amount was filed by the MMCA Director, Consumer Accounts Unit, on April 3, 2003 for \$5,425,448.98. The original claim amount was communicated by email with an attached spreadsheet. In response to the Receiver's request for a more formal notification of the claim, we received a letter dated July 2, 2003 from the Director of Legal Affairs indicating that "MMCA's loss exceeded \$4 million" with an attached spreadsheet reflecting a net loss of \$4,029,673.98. This revised total represented such a significant difference from the previous claim that the Receiver contacted the Director of Legal Affairs and the Director of Customer Accounts Unit to discuss this discrepancy and the reasons for this considerable reduction. The issue was resolved by a subsequent letter from the Director of Legal Affairs restating the claim at the original amount of \$5,425,448.98.

In the process of discussing and resolving the discrepancy in claim amounts, the Receiver advised MMCA that this apparent internal confusion emphasized the importance of obtaining the supporting claim documentation and formula. We advised MMCA that the Court and the Receiver shared a mutual concern that the figures being provided by MMCA were an accurate reflection of the actual net costs incurred by MMCA. The Receiver stressed the fact that this information was a critical component of our final analysis of the claim data.

The Receiver made subsequent calls to the Director of Customer Account Unit, but was unsuccessful in obtaining the requested information. A final letter of notification was sent to MMCA indicating that the previously requested information had not been provided and that the Receiver was again requesting this information in an effort to provide the Court with an informed recommendation.

A majority of the previously requested information was recently provided to the Receiver and forms the basis of our recommendation to the Court. The final calculations provided by MMCA indicate that their loss ratio is 42.17% (\$5,605,119 Net Loss divided by \$13,293,284 Original Amount Financed). Therefore, their recovery ratio is 57.83%. It is important to note that the Original Amount Financed includes Extended Service Contracts and Credit Life Insurance Contracts, which traditionally are considered profit items and therefore may reduce the loss ratio and increase the recovery rate.

It is the Receiver's recommendation that the MMCA claim be deferred in its entirety due to the fact that MMCA's recovery ratio of 57.83% is far in excess of the individual investor's recovery ratio of 33.63%, and MMCA should not receive any payment until the consumer victims recover 57.83% of their loss.

- Motors Insurance Corporation (MIC)

MIC provided claim information in the amount of \$94,465 as the insurance company for Miller Nissan. The Receiver recommends that this claim be deferred in its entirety due to the fact that insurance companies, which operate to assume the risk of loss, should not receive any payment until the consumer victims are paid in full.

- State of California Franchise Tax Board (Case #BA240215)

The Franchise Tax Board filed a claim in the amount of \$382,746.96. The claim names Felix and Mercedes Navarette. The claim indicates that it is based on personal income taxes and associated penalties owed as a result of a joint marital filing for the tax year 2000. The tax in question relates to personal income taxes and not corporate taxes. The Receiver recommends that the claim be rejected in its entirety due to the fact that the Receiver is responsible for the liabilities of the corporation, La Luz de Oro, Incorporated, and not the individual liabilities of Felix and Mercedes Navarette. Additionally, the Receiver's payments on approved claims will be funded from corporate assets, not from personal assets.

Respectfully Submitted,

Robb Evans and Associates, LLC
Receiver