

**ROBB EVANS & ASSOCIATES LLC**  
**Receiver of**  
**AOB Commerce, Inc., et al.**

**REPORT OF RECEIVER'S ACTIVITIES**  
**JULY 24, 2007 THROUGH JANUARY 31, 2008**

This report covers the activities of the Receiver since its last report. This is the second report to the Court on the progress of the receivership. It does not constitute an audit of financial condition and is intended only to provide information for use by the Court in assessing the progress of the receivership.

**Overview**

During this reporting period the Receiver's primary activities have centered on the following:

- Reconstruction of the bank records
- Collection of assets
- Communications with investors

**Reconstruction of Bank Records**

As previously reported, the books and records of AOB Commerce, Inc. (AOB) were not maintained in a coherent fashion. There were no reconcilements of bank statements. The bank accounts were managed on a daily basis by calling the banks to determine which checks cleared the previous night and then transferring sufficient funds from a money market account to pay for the cleared checks. Most disbursements were recorded on an accounting system, but no receipts of funds from investors or from any other sources were recorded on the accounting system. However, Mr. Liao issued some checks to investors for payment of interest or return of capital that were not recorded anywhere.

The Receiver is in the process of reconstructing all of AOB's bank accounts and accounts of non-investor individuals or entities who received investors' funds. This process involves reviewing and analyzing 63 bank accounts held by 14 financial institutions. While substantial progress has been made, the Receiver currently estimates this process will not be completed before June 30, 2008.

In its effort to determine all potential sources and uses of funds, the Receiver has issued 55 subpoenas to financial institutions, credit card companies, escrow companies, title companies, and others. The Receiver is awaiting responses to eight of these subpoenas. Based on some of

the documents turned over to the Receiver, the Receiver will be seeking additional documents to complete the asset tracing and reconstruction<sup>1</sup>.

## **Nelson Liao's use of Third Parties to Conceal Assets**

### ***A Bank Officer and Nelson Liao's Sister***

In December 2007, the Receiver was contacted by an attorney representing Nelson Liao's sister and was informed that Mr. Liao's sister was in possession of cash and bank accounts that were receivership property. During the initial conversation with this attorney and in a subsequent interview with Mr. Liao's sister the Receiver learned of an apparent blatant violation of this Court's Temporary Restraining Order.

According to information provided by Nelson Liao's sister, the Receiver learned the following:

On July 19, 2008, five days after this Court entered the Temporary Restraining Order, Nelson Liao met with his sister in a residence in Arcadia. Also attending this meeting was Lai Chi Chu aka Queenie Chu<sup>2</sup>, who was the officer in charge of the AOB banking relationship at its primary depository bank. Ms. Chu was also an AOB investor<sup>3</sup>. Ms. Chu brought two bags of cash totaling approximating \$290,000 to the meeting. Mr. Liao asked his sister to open two bank accounts at two different local banks and three safe deposit boxes, two at one of the local banks and one at the other local bank. The bank accounts were opened to pay credit card bills and other bills on behalf of Nelson Liao. Most of the cash was placed into two of the three safe deposit boxes. As funds were needed to pay bills, Mr. Liao's sister would obtain cash from the safe deposit boxes and deposit that cash in the bank accounts. Mr. Liao's sister later opened a third bank account closer to her home for the purpose of making these payments.

On October 18, 2007 a \$10,000 check was issued to Queenie Chu. On October 25, 2007 \$25,000 was wire transferred to Nelson Liao's father's bank account in Taiwan. Those funds were then wired to Nelson Liao's lawyer in Arcadia.

Mr. Liao's sister turned over \$234,461 to the Receiver and provided documents that supported payments she made from the remaining cash.

### ***Nelson Liao's Brother***

Nelson Liao's brother, Peter Liao, lives in Taiwan and according to all of the information available to the Receiver, Peter Liao does not maintain a residence and does not do any business in California.

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<sup>1</sup> The Receiver believes that if subpoenaed documents are obtained timely, completion of the reconstruction by June 30, 2008 is realistic. If there are discovery disputes or the Receiver learns additional documents are necessary to assist in recovering assets for the benefit of the investors, the process may take longer.

<sup>2</sup> The Receiver conducted a deposition of Ms. Chu on February 13, 2008. At that deposition, Ms. Chu asserted her Fifth Amendment privilege to all substantive questions.

<sup>3</sup> Ms. Chu's investment amount and payments to her are under review by the Receiver.

Documentation obtained by the Receiver shows that Nelson Liao operated an account at a local bank under Peter Liao's name. The bank statement for this account showed a \$25,000 deposit on July 20, 2007 and a check for that same amount that cleared the bank account on July 23, 2007. The Receiver subpoenaed the documents for these transactions. The \$25,000 deposit was a cash deposit made at approximately 11:25 a.m. on July 20, 2007. The Currency Transaction Report filed by the bank shows the transaction was conducted by Lai Chi (Queenie) Chu. To confirm this, the Receiver then subpoenaed the bank for its videotape of the teller counter. The videotape turned over to the Receiver by the bank showed that Queenie Chu was the only individual at the teller counter during this transaction.

Three real properties in Los Angeles County are held in the name of Peter Liao. To date, the Receiver has traced transfers of receivership funds of approximately \$459,000 to these three properties. The Receiver has filed lis pendens against these three properties and is analyzing the most efficient method of obtaining control of these properties for the benefit of investors.

## **Loans**

### **Domestic Loans**

The Receiver's first report detailed 11 funded loans made to local companies and individuals. The 11 loans totaled \$1,770,000 and averaged \$161,000. The largest was \$330,000 and the smallest was \$45,000. The report further stated that the loans appeared to be properly documented with notes and recorded deeds of trust or financing statements, and were written for 12 months, with a few term loans written for 24 months.

The Receiver has collected approximately \$632,900 and the outstanding balances of eight remaining loans total \$1,137,052, averaging \$142,131. The general quality of the loan portfolio remains as it was described in the first report, which is at a lower level, substantially below commercial bank standards. Much of the real estate collateral is over-leveraged and the borrowing companies or individuals have limited income or other assets, or alternate sources of repayment. There are limited details about business operations.

One loan for \$200,000 matured in December. The business is struggling and has negligible business assets. The personal real estate pledged as additional collateral may cover only a portion of the balance. The borrower is attempting to raise funds for a principal reduction. Loss potential could be 66% or \$135,000.

Another loan for \$90,000 is past due. Collection activity and a review of the pledged collateral of a personal residence are underway. Loss potential could be 50% or \$45,000.

Another loan with a current balance of \$22,500 is not paying. The borrower has broken promises to maintain contact. Collection activity is underway. Loss potential could be 40% or \$10,000.

The other five loans in the portfolio all mature in 2008 and monthly interest payments are current. However, four of the five have the original loan balance due at maturity. The Receiver has currently valued the domestic loan portfolio by subtracting the three described expected losses totaling \$190,000 and carrying the rest of the five loans at 90% of the current amount due. The total current value or expected realization of the \$1,137,052 loan portfolio is calculated to be \$852,347.

### **International Loans**

As previously reported, there are eight funded loans made to entities or individuals located in Taiwan, the People's Republic of China, Japan, and two borrowers in the United States with international operations. The loans total \$4,907,106 and average \$613,388. The largest is \$1,250,000 and the smallest is \$50,000.

Based on information contained in AOB's loan files, the Receiver made demand on the borrowers located in Japan, Taiwan, and the United States. One of the demand letters was returned as "addressee unknown" and one was returned as "moved, no forwarding address."

The Receiver is pursuing borrowers who did receive the demand letter.

The Receiver is discussing an assignment of the four loans to three companies and one individual located in the People's Republic of China with Nelson Liao's attorney. While AOB advanced the funds for these loans, title to the loans are in the name of Nelson Liao.

The Receiver is currently not able to project a recovery amount, if any, from these loans.

Respectfully submitted,

/s/

Robb Evans & Associates LLC  
Receiver