



# U.S. SECURITIES AND EXCHANGE COMMISSION

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*Securities and Exchange Commission v. AOB Commerce, Inc., AOB Asia Fund I, LLC, and Terchi Liao a/k/a Nelson Liao, et al.*, No. CV 07-4507 CAS (JCx) (C.D. Cal.)

### SEC Halts \$45 Million Ponzi-Like Promissory Note Scheme

The Securities and Exchange Commission, on July 12, filed an emergency action to halt an ongoing \$45 million securities offering that the SEC alleges to be a Ponzi-like scheme. Named in the Commission's complaint are Terchi Liao (a.k.a. Nelson Liao), age 49 of Arcadia, California, and two entities he controls, also of Arcadia, AOB Commerce, Inc. and AOB Asia Fund I, LLC. The complaint also names four other Southern California entities controlled by Liao -- AOB Management, Inc., AOB Transportation, Inc., AOB Vacations, Inc., and AOB Media, Inc. -- as relief defendants based on their receipt of investor funds. The Honorable Christina A. Snyder, United States District Judge for the Central District of California, issued a temporary restraining order halting the securities offering, appointing a temporary receiver over AOB Commerce and AOB Asia Fund, and the relief defendants. The court also temporarily froze the assets of the defendants and the relief defendants.

The Commission's complaint alleges that since mid-2004, the defendants have raised more than \$45 million from hundreds of investors nationwide through their unregistered offering and sale of promissory notes that purportedly pay guaranteed interest of up to 5.5% per month.

The complaint further alleges that the defendants represent that they are in the business of making loans to companies in Asia, particularly China. Although the defendants have made some loans to Asian companies, they have principally used investor funds to pay the interest on the promissory notes they previously issued and to pay commissions to investors who solicit others to invest in the notes. For example, according to the complaint, in the six-month period from July 1, 2006 through December 31, 2006, the defendants:

- Raised more than \$13.7 million from investors through the sale of the notes;
- Received less than \$375,000 from legitimate business activities; but
- Paid more than \$6 million in interest and commissions to investors; and
- Loaned or otherwise transferred almost \$6 million to four related entities owned and/or controlled by Liao which are named in the complaint as relief defendants.

As alleged in the complaint, Liao has known since at least September 2006 that AOB Commerce and AOB Asia Fund were unable to pay the interest due investors from their business activities, and knew or was reckless in not knowing that they were unable to do so prior to that date. Nevertheless, the defendants have continued to raise substantial amounts from investors through the sale of notes and have continued to pay interest and commissions with new investor principal.

The court issued an order temporarily enjoining defendants from future violations of the securities registration and antifraud provisions of the federal securities laws, Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The court also issued orders (1) freezing the assets of the defendants and relief defendants; (2) appointing a temporary receiver over the defendants and relief defendants; (3) requiring the defendants to provide accountings; (4) prohibiting the destruction of documents by the defendants; and (5) granting expedited discovery. The Commission also seeks preliminary and permanent injunctions, return of ill-gotten gains with prejudgment interest, and penalties against the defendants. The Commission's complaint also requests an order barring Liao from acting as an officer or director of any public company.

The complaint also alleges that the defendants loaned or otherwise transferred significant amounts of investor monies to the relief defendants and seeks the return of those monies.  
A hearing on whether a preliminary injunction should be issued against the defendants and whether a permanent receiver should be appointed is scheduled for August 6, 2007.  
Investors may direct their inquiries to the temporary receiver, Robb Evans & Associates LLC, at (818) 768-8100.

*<http://www.sec.gov/litigation/litreleases/lr20196.htm>*