

UNITED STATES OF AMERICA
BEFORE
THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

In the Matter of)	
)	
CAB HOLDING, LLC)	
Wilmington, Delaware)	Docket Nos. 03-035-B-HC
)	03-035-B-I
and)	
)	
PAUL SHI H. HUANG)	Cease and Desist Order Issued
An Institution-Affiliated Party of)	Upon Consent Pursuant to the
CAB Holding, LLC)	Federal Deposit Insurance Act,
Wilmington, Delaware)	As Amended

WHEREAS, the Board of Governors of the Federal Reserve System (“Board of Governors”) issues this Cease and Desist Order (the “Order”) against CAB Holding, LLC, Wilmington, Delaware (“CAB Holding”), a registered bank holding company, and Paul Shi H. Huang (“Huang”), the sole shareholder and an institution-affiliated party, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1813(u) and 1818(b)(3)) (the “FDI Act”), of CAB Holding;

WHEREAS, CAB Holding owns and controls The Chinese American Bank, New York, New York (the “Bank”), a state chartered bank that is not a member of the Federal Reserve System;

WHEREAS, in connection with his acquisition of the Bank, Huang formed CAB Holding and CAB International Holding Limited, a British Virgin Islands company, the latter of which borrowed funds from other financial institutions to enable CAB Holding and Huang to purchase the Bank (these borrowings are hereinafter referred to as the “Acquisition Indebtedness”);

WHEREAS, in November 1998, the Board of Governors approved CAB Holding's application to acquire the Bank under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. 1842(a)(1)) subject to several conditions imposed in writing on CAB Holding and Huang, including conditions that: (1) Huang would use only personal resources to repay the Acquisition Indebtedness; (2) dividends from the Bank would not be used to service the Acquisition Indebtedness; and (3) dealings by and between CAB Holding, the Bank, and Huang would comply with the provisions of sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c and 371c-1) and Regulation O of the Board of Governors (12 C.F.R. Part 215) (collectively, the "Conditions");

WHEREAS, Huang received loans from the Bank that violated the Conditions, section 23A of the Federal Reserve Act, Regulation O, and the lending limits imposed by the State of New York, New York Banking Law Section 103 (the "State Lending Limits");

WHEREAS, upon discovery of Huang's loans from the Bank, Huang was required to repay, and now has repaid, from his personal resources, the portion of the loans that he received from the Bank that violated Regulation O and the State Lending Limits;

WHEREAS, in order to address the remaining concerns about CAB Holding's and Huang's violations of the Conditions and federal and state laws and regulations, and to ensure compliance with the Conditions, the Board of Governors issues this Order against CAB Holding and Huang;

WHEREAS, on March 17, 2004, the board of directors of CAB Holding, at a duly constituted meeting, adopted a resolution authorizing and directing Huang to enter into this Order on behalf of CAB Holding, and consenting to compliance with each and every applicable provision of this Order by CAB Holding and its institution-affiliated parties, and waiving any

and all rights that CAB Holding may have pursuant to section 8 of the FDI Act (12 U.S.C. 1818) to: (i) a hearing for the purpose of taking evidence on any matters set forth in this Order; (ii) judicial review of this Order; and (iii) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provisions hereof; and

WHEREAS, by affixing his signature hereunder Huang has consented to the issuance of this Order by the Board of Governors and to comply with each and every applicable provision of this Order, and has waived any and all rights that he may have pursuant to section 8 of the FDI Act to: (i) a hearing for the purpose of taking evidence on any matters set forth in this Order; (ii) to judicial review of this Order; and (iii) to challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provisions hereof.

NOW, THEREFORE, before the taking of any testimony or adjudication of, or finding on any issue of fact or law herein, and without this Order constituting an admission of any allegation made or implied by the Board of Governors in connection with this proceeding;

IT IS HEREBY ORDERED that, pursuant to sections 8(b)(1) and (3) of the FDI Act (12 U.S.C. 1818(b)(1) and (3)), CAB Holding, its institution-affiliated parties, and Huang cease and desist and take the following affirmative action:

Violations of the Conditions and Law

1. (a) Within 30 days of this Order, Huang shall submit to the Federal Reserve Bank of New York (the “New York Reserve Bank”) an acceptable plan to correct the violations of the Conditions and section 23A of the Federal Reserve Act that occurred in connection with the loan that Huang received from the Bank in 2003 (the “2003 Loan”).

(b) Huang shall not engage or participate, directly or indirectly, in any violations of sections 23A and 23B of the Federal Reserve Act, Regulation O, and the State Lending Limits.

(c) Huang shall submit evidence of the actions taken to comply with the requirements of paragraph 1(a) of this Order to the Federal Reserve Bank of New York (the "New York Reserve Bank") within 10 days of taking each action.

Huang Repayment of Indebtedness

2. (a) By December 31, 2005, Huang shall repay the balance of the Acquisition Indebtedness from his personal resources in compliance with the Conditions and the terms of this Order in accordance with the following schedule:

(i) By June 30, 2004, Huang shall repay one-third of the outstanding Acquisition Indebtedness from his personal resources, and repay in full from his personal resources the outstanding balance of the 2003 Loan; and

(ii) Huang shall thereafter repay the balance of the remaining Acquisition Indebtedness from his personal resources in three equal semi-annual installments on or before December 31, 2004, June 30, 2005, and December 31, 2005, so that such indebtedness is entirely repaid by no later than December 31, 2005.

(b) Huang shall submit written evidence of payments made pursuant to the requirements of paragraph 2(a) of this Order to the New York Reserve Bank within 10 days of making each payment.

Huang Use of Dividends

3. In the event that the Bank pays dividends to CAB Holding, subject to the prior written approval of the New York State Banking Department (the "NYSBD"), and CAB Holding

pays dividends to Huang, pursuant to the terms of paragraph 4 of this Order, Huang shall use all such dividend payment(s) solely to repay the 2003 Loan and Acquisition Indebtedness, and to pay federal and state tax liability that will be incurred by Huang or CAB Holding as a direct result of the dividend payments, in the following order of priority until such indebtedness is entirely repaid:

- (a) The 2003 Loan;
- (b) any indebtedness to Huang or to Huang's related interests on CAB Holding's books; and
- (c) any remaining Acquisition Indebtedness.

CAB Holding Dividend Restrictions

4. CAB Holding shall not declare or pay any dividends without the prior written approval of the New York Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the "Director"). The New York Reserve Bank must receive requests for approval at least 30 days prior to the proposed dividend declaration date.

Additional Indebtedness

5. (a) Huang shall not incur any new indebtedness to the Bank or CAB Holding prior to repaying the full amount of the 2003 Loan and Acquisition Indebtedness pursuant to the terms of this Order.

(b) CAB Holding shall not, directly or indirectly, incur any debt without the prior written approval of the New York Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

Trust Agreement and Consequences of Noncompliance

6. (a) Within 60 days of this Order, Huang shall submit an agreement (the “Trust Agreement”) that is acceptable to the New York Reserve Bank to place all of his shares of CAB Holding in a trust in the event that the New York Reserve Bank and the Director, with the concurrence of the General Counsel of the Board of Governors, determine that Huang, or, where applicable, CAB Holding has violated any of the provisions of paragraphs 1 through 5 of this Order. At a minimum, the Trust Agreement shall provide for:

(i) The appointment of a trustee who is acceptable to the New York Reserve Bank pending clearance of such trustee pursuant to the provisions of the Change in Bank Control Act (12 U.S.C. 1817(j)) (the “CIBCA”) and all other applicable federal or state laws and regulations, to administer and supervise a trust, that has also received such approvals, of the shares of CAB Holding;

(ii) the filing by the trustee and the trust of all necessary documents and information required under the CIBCA and any other applicable federal and state laws and regulations within 20 days of the New York Reserve Bank’s initial approval of the trustee;

(iii) the transfer of all shares and voting rights relating to CAB Holding to the trust within 5 days of all necessary approvals of the trustee and the trust under the CIBCA and all other applicable federal or state laws and regulations;

(iv) the sale of CAB Holding and the Bank by the trustee to a party or parties who are independent of Huang and any immediate family member or related interest of Huang, in accordance with the requirements of the CIBCA and all other applicable federal or state laws and regulations, within one year of the approval of the trustee pursuant to the CIBCA and all other applicable federal or state laws and regulations;

(v) the independence of the trustee from CAB Holding, the Bank, any of their officers and directors, Huang and any immediate family member or related interest thereof, or other person acting on behalf of the foregoing, and a prohibition against Huang negotiating with the trustee, either directly or indirectly, about the sale of the shares of CAB Holding and the Bank; provided however, that Huang may recommend to the trustee an investment banking firm and legal advisor, and may refer potential purchasers to the trustee;

(vi) the expiration of the Trust Agreement upon the sale of the shares of CAB Holding and the Bank to a buyer or buyers pursuant to the terms of this Order; and

(vii) the execution of the Trust Agreement by Huang and the Trustee and a recitation of their agreement to comply with all terms of the Trust Agreement.

(b) Within 30 days of receipt of notice from the New York Reserve Bank that Huang, or, where applicable, CAB Holding has violated any of the provisions of paragraphs 1 through 5 of this Order:

(i) Huang shall appoint a trustee who is acceptable to the New York Reserve Bank, pending all necessary approvals under the CIBCA and all other applicable federal or state laws and regulations for the trustee and the trust, to execute the Trust Agreement and to assume all responsibilities thereunder as trustee; and

(ii) Huang shall execute the Trust Agreement.

(c) Should the trustee resign, become disabled, die in office, or be removed by any federal or state authority during the term of the trust, Huang shall propose a successor trustee who is acceptable to the New York Reserve Bank, pending CIBCA and other federal and state approvals previously referred to, within 30 days after the resignation, incapacity, death, or removal of the trustee has taken place.

(d) Huang shall not, directly or indirectly, take any action, or omit to take any action, that would result in a breach of any provision of the Trust Agreement.

(e) Huang shall use his best efforts to ensure that the trustee(s) and the trust will file all necessary documents and information under the CIBCA and any other applicable federal or state law within 20 days after the New York Reserve Bank's approval of the trustee.

(f) Huang shall cooperate fully with the trustee, all federal and state authorities, and all third parties in connection with obtaining any prior authorization requirements of the Board of Governors and the Federal Deposit Insurance Corporation under the CIBCA and the NYSBD under the laws of the State of New York in order to accomplish the sale of CAB Holding and the Bank pursuant to the Trust Agreement; and

(g) Huang shall take such other actions as the New York Reserve Bank directs to effect the timely sale of CAB Holding and the Bank in compliance with the terms of this Order and all applicable federal and state laws and regulations.

(h) For the purposes of this Order, the terms: (i) "immediate family" shall be defined as set forth in section 215.2(g) of Regulation O (12 C.F.R. 215.2(g)); and (ii) "related interest" shall be defined as set forth in section 215.2(n) of Regulation O (12 C.F.R. 215.2(n)).

CAB Holding and Huang Limitations on Transactions

7. (a) CAB Holding shall not, directly or indirectly, enter into, participate, or in any other manner engage in any transaction with the Bank without the prior written approval of the New York Reserve Bank.

(b) Huang, his immediate family members, or any related interest thereof shall not, directly or indirectly, enter into, participate, or in any other manner engage in any

transaction with CAB Holding or the Bank without the prior written approval of the New York Reserve Bank.

(c) Any request for prior approval shall be accompanied by documentation adequate to provide the New York Reserve Bank with the details of each proposed transaction, including a full description of the proposed transaction, the purpose(s) of the transaction, the amounts involved, the benefits to be derived by CAB Holding, the Bank, Huang, immediate family members or any related interest thereof, the proposed transaction's compliance with all applicable laws and regulations, including, but not limited to sections 23A and 23B of the Federal Reserve Act, Regulation W of the Board of Governors (12 C.F.R. 223 *et seq.*), Regulation O, and other pertinent materials, as requested by the New York Reserve Bank, in order to assist in the review of the proposal.

(d) For the purposes of this Order, the terms: (i) "transaction" shall include, but not be limited to, the transfer, contribution, sale or purchase of any asset, the direct or indirect payment of any expense or obligation, the direct or indirect assumption of any liability, the payment or receipt of a management or service fee of any nature, or any extension of credit, including overdrafts; and (ii) "extension of credit" shall be defined as set forth in section 215.3 of Regulation O (12 C.F.R. 215.3) or section 223.3 of Regulation W (12 C.F.R. 223.3), as appropriate.

Recovery of CAB Holding Funds

8. (a) CAB Holding shall take all actions as are necessary to recover immediately all CAB Holding funds held by Chinfon, a United States based investment advisory that is wholly owned by Huang and his immediate family.

(b) Upon CAB Holding's receipt of the funds described in paragraph 8(a) of this Order, Huang shall cause CAB Holding to apply the funds to the repayment of the 2003 Loan and Acquisition Indebtedness in the same order of priority described in paragraph 3 of this Order.

9. All communications regarding this Order shall be sent to:

- (a) Ms. Nancy Bercovici
Senior Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
- (b) CAB Holding and Dr. Paul Shi H. Huang
c/o David L. Glass, Esq.
Clifford Chance US, LLP
200 Park Avenue
New York, New York 10166-0153

10. Notwithstanding any provision of this Order to the contrary, the New York Reserve Bank may, in its sole discretion, grant written extensions of time to CAB Holding and Huang to comply with any provision of this Order.

11. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated or suspended by the Board of Governors.

12. The provisions of this Order shall not bar, estop or otherwise prevent the Board of Governors, the New York Reserve Bank, or any other federal or state agency or department from taking any other action affecting Huang, or CAB Holding, the Bank or any of their current or former institution-affiliated parties.

13. The provisions of this Order shall be binding upon Huang, and CAB Holding and its successors and assigns.

By order of the Board of Governors of the Federal Reserve System, effective this 6th day of May, 2004.

CAB HOLDING, LLC

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: Paul Shi H. Huang
Paul Shi H. Huang

By: Jennifer J. Johnson
Jennifer J. Johnson
Secretary of the Board

PAUL SHI H. HUANG

Paul Shi H. Huang