

CATHAY BUSINESS CONNECT

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EXECUTIVE'S CORNER

Thank You for Your Business

As we near the end of 2011, it's a time to reflect on the past year and give thanks. I want to sincerely thank you for being a customer of Cathay Bank. The bank has much to be proud of, and we especially appreciate the ways our customers help to make our communities better and brighter.

It's our goal to help your business succeed, and Cathay Bank has several products and services to make running your business easier, as well as save time and money. For example, lockbox services (read more at right) can make depositing receivables easier. We also provide year-end tax tips on page 3 that may help you reduce your tax bill.

In addition, the article "Guard Against Credit and Debit Fraud" (page 4) offers guidelines to help you and your employees protect your business from con artists using fake cards.

Want to learn more about the ways we can help your business? Give us a call, visit us online at www.cathaybank.com or stop by to talk with us in person.

Peter Wu

Peter Wu, Executive Vice
Chairman of the Board and
Chief Operating Officer



Improve Your Cash Flow with Lockbox Services

Do you need a quicker, more efficient way of making deposits and faster access to your cash? Lockbox services may save you time and money and help your bottom line by improving cash flow.

WHY YOU NEED LOCKBOX SERVICES

Although paper check usage is declining, it still represents a significant source of business-to-business (B2B) payments. According to the Association for Financial Professionals:*

- The typical organization makes 57% of its B2B payments by check.
- The typical organization receives 54% of its B2B payments by check.
- Checks are used in 47% of payments from major customers.

It's not unusual for an organization to have well-paid professionals spending time ripping open envelopes, posting against receivables, filling out deposit slips and driving to the bank to make deposits. To save trips, businesses may hold checks for several days – time that money could be working for them rather than sitting idle.

HOW LOCKBOX WORKS

With lockbox services, receivables are sent to a designated lockbox service provider rather than to your physical location.

- The designated lockbox service provider of Cathay Bank does the front-end processing, expedites the payments and deposits the money directly into your account.



- In most cases, the deposit is made on the same day the check is received.
- Lockbox provides reports online that make it easy for you to post your receivables and monitor customer payment schedules.

As a result, you benefit from improved cash flow and greater efficiency. Lockbox services can free up your existing staff for other projects or even help you avoid the need to add staff for check processing.

LEARN MORE

The Account Officers at Cathay Bank can show you how lockbox and other services, such as remote deposit capture, can expedite processing of your receivables and streamline your cash flow. Visit our website at www.cathaybank.com or call **1-800-9CATHAY (1-800-922-8429)**.

* Source: "2010 AFP Electronic Payments Report of Survey Results," November 2010, www.afponline.org.



CATHAY BANK



Close the Cash Gap with a Credit Line

For many businesses, cash flow can be problematic. You may be caught between paying suppliers and awaiting payment from customers. A credit line could be just the lifesaver you need. Used wisely, a credit line can help a company bridge the gaps across the peaks and valleys of its cash flow and even help it grow.

FILLING SHORT-TERM NEEDS

A credit line is usually intended for short-term financing of up to a year. If it has been used prudently and paid off promptly, it may be extended from year to year. Manufacturers often use a credit line to buy raw materials, then pay it off when the products are sold. Seasonal companies may use a credit line to cover expenses during slow months, and repay it when business picks up. Import/export firms might find a credit line convenient for managing the sometimes long wait times for payments or goods to arrive.

Credit lines can also help finance growth. You might need a cash boost

in order to accept that one big order that's going to put your company in a different league.

HOW IT WORKS

Structure – Credit lines are set up along the lines of consumer credit cards. A credit limit is established, and you can draw against that limit. As the money is repaid, it becomes available for you to borrow again, as many times as needed. However, there may also be a “cleanup” provision that requires you to pay off the balance or pay it down to a certain level for 30 days or more at some point, to ensure the credit line isn't being used for long-term needs.

Interest – The interest rate on a credit line is usually variable, and tied to prevailing interest rates through the prime rate or some other standard. When interest rates rise, the cost of a credit line goes up.

Collateral – Most credit lines must be secured by collateral. Often, companies use a percentage of their

accounts receivable or inventory as collateral. The loan agreement defines the amount of control the lender has over the collateral and cash proceeds.

Guaranty – Lenders also frequently demand that the business owner or a majority stockholder serve as the personal guarantor of a credit line. This helps ensure that the business treats the borrowed funds prudently.

What's Right for You?

Cathay Bank can help you review your company's borrowing needs to determine if a line of credit is the best financing option for you. Please contact your Account Officer or Branch Manager for more information.



Year-End Tax Tips for Businesses

With politicians continuing to battle over the tax code, it makes sense to take advantage of tax breaks that are available to you now. Here are some moves to consider before year-end that may help reduce your 2011 tax bill.

Buy equipment. Section 179 expensing allows businesses to deduct the full purchase price of certain equipment and software. Under the 2010 Small Business Jobs Act, for tax years beginning in 2010 and 2011, you may be able to expense up to \$500,000 in eligible purchases as long as the equipment is placed into service during the eligible tax years.

Qualifying property includes machines purchased for business use, business vehicles with a gross vehicle weight exceeding 6,000 lbs. (SUVs and many trucks are subject to a \$25,000 limitation), computers, off-the-shelf computer software, office furniture and equipment, and certain qualified leasehold improvement, restaurant and retail improvement real property.

Note that you may be eligible for Section 179 expensing whether you lease, finance or purchase the equipment outright. The \$500,000 amount is reduced dollar for dollar for eligible equipment purchases (excluding the qualified real property items, if so elected) during the year exceeding \$2 million.

Take bonus depreciation. The 2010 Tax Relief Act increased bonus depreciation from 50% to 100% for qualified investments made from Sept. 9, 2010, through Dec. 31, 2011. That means you can depreciate 100% of qualified investments placed in service during that period. Generally, businesses take advantage of 179 expensing before bonus depreciation, so this will be useful to large businesses spending more than \$2 million on equipment in 2011. Note that bonus depreciation applies only to new equipment; Section



179 expensing can apply to new and used equipment. The 2010 Act also extended the availability of 50% bonus depreciation through calendar year 2012.

Go green. Certain energy tax credits have been extended, including the energy-efficient home credit for qualified builders and manufacturers and credits for biodiesel and renewable diesel fuel.

Help your employees retire. You generally can deduct contributions you make to certain retirement plans for your employees. In addition, you may be able to claim a tax credit of 50% of the first \$1,000 of qualified startup costs if you begin a new qualified plan, as well as a similar amount of administrative costs in the subsequent two years.

And keep them healthy. Qualifying small employers may be eligible

for a credit of up to 35% (25% for nonprofits) of their health insurance premium costs this year. To be eligible, the employer must pay at least 50% of the cost of single health care coverage for its workers, have fewer than 25 full-time equivalent workers and pay average annual wages below \$50,000.

DON'T WAIT

You still have time to take advantage of some of these tax breaks this year, but be sure to discuss your situation with a tax professional or attorney. If you'd like to explore leasing and/or financing options for new equipment eligible to put into service this year, talk to an Account Officer at Cathay Bank.

Please note that neither this financial institution nor any of its affiliates give tax advice. Consult your tax advisor for information specific to your situation.

These "lucky dates" are provided for entertainment purposes only. The "lucky dates" were provided to us by a third-party source unrelated to Cathay Bank and derived mainly from the Bai He Ming Almanac, and other sources including the Internet and the Tung Shing. Cathay Bank does not endorse, sponsor or guarantee the use of this information, and makes no warranty or representation regarding the accuracy, reliability or results that may be obtained from the use of this information.

DAYS SUITABLE FOR...

Opening a Business:

November: 1, 19, 23

December: 2, 5, 13, 24, 25

Signing Contracts:

November: 1, 19

December: 2, 24, 25

Travel:

November: 1, 3, 4, 15, 16, 19,
20, 23, 29

December: 1, 2, 5, 7, 10, 12, 24

DAYS UNSUITABLE FOR...

Opening a Business:

November: 5, 6, 7, 9, 10, 13, 14, 17,
18, 21, 22, 25, 27

December: 8, 12, 14, 15, 16, 17, 19,
26, 27, 28, 29, 31

Signing Contracts:

November: 6, 9, 10, 13, 14, 18, 22, 25

December: 14, 17, 19, 26, 28, 29, 31

Travel:

November: 5, 10, 13, 14, 18, 22,
24, 30

December: 3, 6, 14, 17, 19, 21, 26,
28, 29, 31

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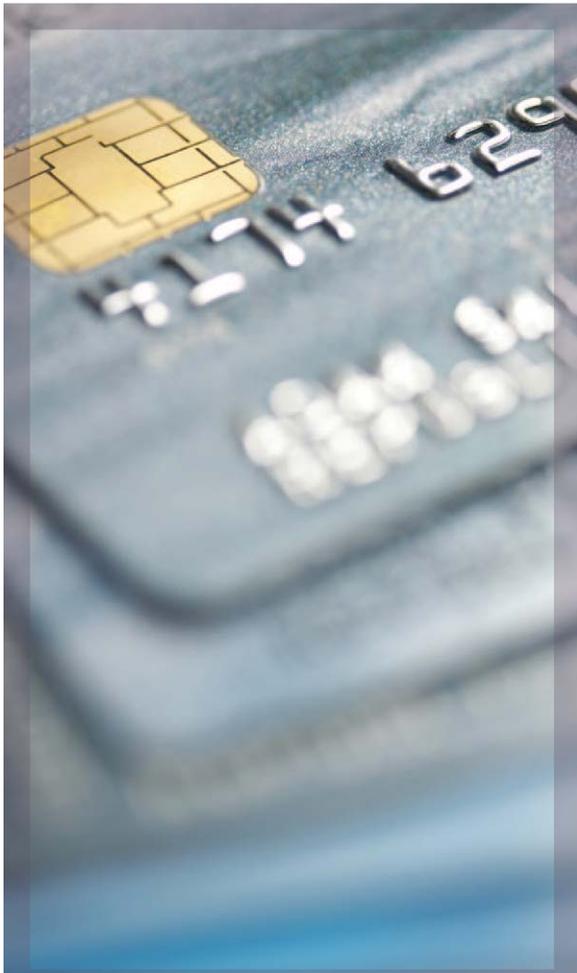
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Guard Against Credit and Debit Card Fraud

As a business owner, you may be careful to look at cash to make sure it isn't counterfeit. But did you know counterfeit, cloned, altered and forged (CAF) cards are on the rise? Here are some tips on how to detect a fake card.

- **Check the numbers.** The numbers on the card should be lined up and evenly spaced. Note if the first number corresponds with the type of card. Amex starts with a 3, Visa with a 4, MasterCard with a 5 and Discover with a 6.
- **Look at the magnetic strip.** Crooks may purposely damage the strip on back so you need to enter the numbers on the card manually. If the strip is functional, check that the last four numbers on the card match the numbers printed on the receipt.
- **Watch the signature area.** The signature strip should be a different material and be signed. If it's not signed, check the signature against another form of ID.
- **Note the hologram.** Visa and MasterCard have hologram stickers on the front of the card. Amex cards have a foil hologram on the top back strip. Forged cards will have a dull, 2-D appearance.
- **Be aware of suspicious behavior.** Someone using a fake card is more likely to be nervous. They may try to distract you so you don't focus on the card.

If a card isn't working or doesn't match up, you'll need to verify the card with the processor. Teach all your employees how to detect CAF cards to protect your business and your finances.

Cathay Bank offers credit cards. Contact an Account Officer for more information.