

# Intelligence

News from Drake Bank

Where Small Business is Big!

## Number One!



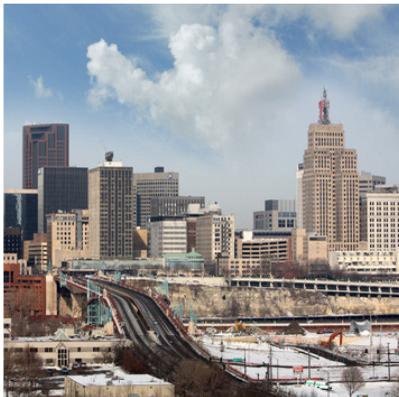
Rick Gobell, President  
rgobell@drake-bank.com

I am pleased to bring you our first edition of **Drake Intelligence!** This quarterly newsletter has been created to share information we believe will be helpful to our customers... businesses and individuals, alike.

We realize you are busy and that many other organizations and media are competing for your attention. That is why we will use

**Drake Intelligence** to bring you information of particular importance to small businesses in an abbreviated format.

Because the quality of our relationship with our customers depends, in part, on knowing each other well, you will occasionally find information about our bank and our staff. Also, from time-to-time we will profile business



customers who would like to share information with our customer base. In this first issue we are show-casing CBL Floors and its owners Frank and Diane Hanzal. If

you would like to be in a future issue, please give me a call or send an email.

In addition to printing, this newsletter will also be posted to our website.

Finally, I want to thank you for selecting Drake Bank to be your bank. It is a pleasure to be of service to you!



There are clear indications that the mortgage crisis and the collapse of the housing industry can best be viewed in a rear view mirror. Listings firm RealtyTrac says the number of homes in the foreclosure process is down to the lowest level since the housing bubble burst. Even in California – one of the worst hit states during the crisis – foreclosures are down 75 percent over a year ago.



Jay Pfaender,  
Vice President  
(NMLS #468510)

And, in St. Paul, the median sales prices of homes for the period Nov 12 to Jan 13 increased 16.8% over the previous year.

Is it time to make your move? Call Jay Pfaender at 651-767-9821 or email at [jpfaender@drake-bank.com](mailto:jpfaender@drake-bank.com).



Is your bank too big for your business?

Let's talk.  
Let's get tight!



## Customer Spotlight

# CBL Floors: Flooring Competition With Sharp Tactics

Yes, the title of this article is one large pun, but the warmth and enthusiasm of its owners brings out a sense of comfort... even playfulness... when meeting with them in their shop on Robert Street.



Diane and Frank Hanzal

By many measures, CBL Floors is a small business, but the firm's 34 year history is a testament to the big-time hard work and enormously creative thinking of Diane and Frank Hanzal. The entire family has played a role in the business, and one son, Brandon, still does. Two older daughters, now married with children and impressive careers, even worked ripping-up

old carpets. It has been a family business in every gritty and refined sense of the word.

Today, Frank specializes in the commercial market. He and Brandon are busy meeting the "underlying" needs of municipalities and businesses. What they do with the latest floor coverings, including carpeting and high-tech vinyl, accounts for about 60% of CBL sales. Schools are a major segment of the municipal sales. During the interview, Frank had to rush-off to meet with a client. Service trumps PR!

Diane is the consumer market specialist, and she makes "shopping" at CBL Floors something you want to do every weekend! Customers sit in the front window of the shop with her, sipping coffee and tasting cookies. There are plenty of displays, but overwhelming clients with

samples is not Diane's strategy. CBL is not trying to compete with the big box stores. Her approach is to know who her clients are... their home environment (kids, dogs?), their style, and their budget. Then she arranges a time to meet at the client's home.



This personal service is what makes CBL Floors impervious to "big box store" competition. CBL simplifies the choice. CBL makes you feel good. And, CBL does not cost more!

The success of their high-touch approach to customer service has brought them to a big decision: they are going to open their store on South Robert Street on an appointment-only basis. Is this wise?

It seems to be. Diane and Frank have a customer list that is 7,500 names long! They may have reached flooring nirvana. They are serving the children of their early customers. In many ways, their work is to serve customers, not find them.

When asked why they chose Drake Bank as their bank, Diane said "we wanted a bank that showed they appreciated us and had the resources and attitude to serve our needs. Drake Bank was that bank. We have never questioned our decision. It's like family, and that's how we started."

## Protecting Your Business From Fraud

Altering or creating fictitious financial documents can make it easy for a criminal to drain funds from your company. Most such fraud occurs when perpetrators write unauthorized checks, commit wire fraud, or through ACH fraud. ACH stands for Automated Clearing House, a nationwide electronic funds-transfer system overseen by the Federal Reserve and Electronic Payments Network. The system provides for fund-transfers between banks and other financial institutions. Although the system has worked well the vast majority of the time, it is still vulnerable to compromise by clever fraud artists. ACH fraud occurs when an account is accessed for unauthorized ACH payments or withdrawals. While a variety of tools are available, a criminal can commit ACH fraud by having access to just two pieces of information: your business checking account number and your bank routing number. With that information in hand, a criminal can use those numbers to make a payment for goods or services, either by phone or online. The most common ACH fraud attempts are misrepresentation of a business and unauthorized use of business bank accounts. By the time you realize what has happened, the criminals have often disappeared, leaving you and your business to clean up the financial mess.



Guarding against ACH fraud is easy, however. You can do the following things:

- (1) Keep the lines of communication open with Drake Bank. Let us know when you send a file, especially if it includes exceptions to your typical ACH schedule. Also, inform us of staffing changes such as new hires, changes in job duties, or when an employee leaves the company. The more information we have, the better fraud protection we can provide.
- (2) Computers are relatively inexpensive, so use a separate dedicated machine for all of your online financial transactions. If multiple people need transaction access, each person should have an additional, separate computer. Or leverage terminal services to create a system of clients and dumb terminals.
- (3) Be sure to turn off the computer when not in use. As trivial as this sounds, shutting the machine down when not in use can limit your exposure. Many modern worms/trojans exploit vulnerabilities in the Windows Operating System, and contrary to popular belief, do not require the user to have taken any actions such as opening emails or visiting malicious websites.

# Major Tax Provisions of the American Taxpayer Relief Act of 2012 (“The Deal”)

As you probably know, “The Deal” was passed to avoid (or delay) falling off the fiscal cliff. Here are some of the major tax provisions included in the Act.

## Marginal income tax rates:

Existing Bush-era tax brackets have been extended permanently for families earning \$450,000 or less and individuals earning \$400,000 or less, annually. Taxpayers earning more than these thresholds will see a top marginal rate of 39.6% (up from 35%).

**Investment tax rates:** The maximum capital gains and qualified dividend rate will remain at 15% for those below the \$450k/\$400k income thresholds and will increase to 20% for those with incomes above the thresholds.

**Alternative minimum tax (AMT):** There is a permanent increase in the AMT exemption amount to \$78,750 (up from \$74,450 in 2011) for married individuals filing a joint return and to \$50,600 for single taxpayers (up from \$48,450 in 2011). The exemption amounts will be indexed for inflation in future years.

**Estate, gift, and GST taxes:** The current \$5 million exemption per person is extended permanently, with a top rate of 40% (up from 35%, but down from the 55% rate that would have applied absent this deal). The estate, gift, and GST exemption amounts will remain unified. The exemption amount, which is indexed for inflation, was \$5.12 million in 2012 and is estimated to be \$5.25 million in 2013.

## Selected extender provisions:

- Business and other tax extenders are extended seamlessly through 2013.
- Tax-free distributions directly from individual retirement plans for charitable purposes, which expired at the end of 2011, are revived for 2012 and continued through 2013.
- The 50% bonus depreciation provision is extended for one year.
- PEP and Pease: The personal exemption phase-out (PEP) and overall limit of itemized deductions (Pease) are reinstated for families with incomes over \$300,000 and individuals with incomes over \$250,000.
- The American Opportunity Tax Credit, the enhanced Child Tax Credit, and the enhanced Earned Income Tax Credit are extended for five years.

## Other individual tax extenders and changes:

- Deduction for certain expenses of elementary and secondary school teachers.
- Exclusion from gross income of discharge of qualified principal residence indebtedness.
- Mortgage insurance premiums treated as qualified residence interest.
- Deduction of state and local general sales taxes.

- Special rule for contributions of capital gain real property made for conservation purposes.
- Above-the-line deduction for qualified tuition expenses.

## Other business tax extenders and changes:

- Extension and modification of bonus depreciation.
- Increased expensing limitations and treatment of certain real property as Section 179 property.
- Extension and modification of research credit.
- Reduction in S-corp recognition period for built-in gains tax.
- 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements.
- Temporary exclusion of 100% of gain on certain small business stock.
- Basis adjustment to stock of S-corps making charitable contributions of property.
- Work opportunity tax credit.
- Enhanced charitable deduction for contributions of food inventory.
- Employer wage credit for employees who are active-duty members of the uniformed services.
- New markets tax credit.
- Temporary minimum low-income tax credit rate for non-federally subsidized new buildings.
- RIC qualified investment entity treatment under FIRPTA.
- Subpart F exception for active financing income.
- Railroad track maintenance credit.
- Empowerment zone tax incentives.

## Energy tax extenders:

- Credit for energy-efficient existing and new homes.
- Credit for energy-efficient appliances.
- Alternative fuels excise tax credits.

Please see your tax advisor for more detail about these and other provisions of the Act.



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