

CANDON TODD & SEABOLT_{LLC}

Hawaii Jobless Rate Reaches 6.9% in April

Improved in March.

Statewide unemployment registered at 6.9% in April, down from 7.1% in March, but about twice the year earlier rate. From a human perspective, more than 44,000 people who live in Hawaii and want to work did not have jobs in April. Our neighbor islands are suffering the worst of this trend, with unemployment ranging from 9.7% of the workforce on Kauai to 14.4% on Molokai.

Trustee for Madoff Funds Attempts "Clawbacks"

Banco Santander promises to pay.

Reasoning that the investment advisors who steered investors to Bernard Madoff knew or should have known of his ponzi scheme, the Trustee has been pressuring the advisors to pony up. He is also relying on a Trustee's opportunity to claw back distributions made 'not in the ordinary course of business'. Banco Santander is only the latest of several financial advisors who have succumbed to the Trustee's pressure by promising to pay \$235 million. While the Trustee's efforts will no doubt yield hundreds of millions, they will only be a fraction of the still unknown total of the wealth stolen by Madoff. The Trustee's clawbacks will, however, add to the body of knowledge about fraudsters and their games. It will only be useful, of course, if future investors do their homework before making investments.

Accounting Rule Creates Income for Banks?

Not money from nothing.

The Bloomberg wire service recently reported banks that purchased distressed loans will benefit by as much as \$56 billion under an accounting rule. In case some readers were led to believe accountants can conjure income from rules, we'd like to explain how this would work. Specifically, under the purchase accounting rules, an acquirer will recognize over time the difference between the value of the loans acquired and the cash flow they are expected to yield more or less as that cash is collected. In effect, where we are dealing with bad loans, the accounting makes an effort to recognize only that income that has been collected. In the end, the value is either there or it is not there. Your friendly accountants are merely working to avoid recognizing value that is not there.

About CTS's People

Duane Seabolt, JD, MBA, CPA/CFF/ABV, CFE, is the firm's Director of Forensic Services. Recently, Duane testified at arbitration in a personal injury matter. The case involved a real estate agent who sustained injuries in the midst of the decline of the real estate market. Duane also testified recently at deposition and at trial in another personal injury case involving lost earnings and lost earning capacity.

Kimo Todd, JD, CPA/ABV/CFF, CVA, is the firm's Director of Business Valuation Services. Recently, Kimo completed a business valuation that was used by a mediator to help settle a lawsuit. The case involved a dispute over the fair market value of a departing shareholder's interest in a long-time, kama'aina distribution company. Kimo also completed projects involving the calculation of lost wages and economic benefits in several personal injury lawsuits.

Who We Are: CTS is an independent consulting firm, dedicated to providing the highest quality of independent, objective and confidential services. We have provided financial and operational consulting services to clients in Hawaii and elsewhere for over 15 years. Our professionals have extraordinary backgrounds and a wealth of business and personal experience. We specialize in:

Business Valuation	Forensic Accounting	Litigation Support
Lost Profits & Earnings	Corporate Recovery Services	Fraud Investigations
Intangible Asset Valuations	Business Acquisitions	Profit Improvement

Our Clients: Our clients are located throughout Hawaii and include many of Hawaii's largest businesses and law firms. We have also consulted with clients located in the U.S. Mainland, Japan, China, and Taiwan.

Talk to us: We hope this has been informative. If you would like a friend to get a copy, just let us know. If something in this newsletter caught your interest or you have a question, feel free to call at (808) 533-1270 or email us from our website at www.candontoddseabolt.com.

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