

CANDON TODD & SEABOLT_{LLC}

Economists See Obama's "Glimmer of Hope"

WSJ reports a stock rebound next fall. Unemployment will continue to rise.

According to the April 2009 WSJ, a panel of economists expected the current recession to end in September 2009. Unemployment, however, was not expected to decline until the 2nd half of 2010. More than a third of the economists believed the jobless rate would not peak until the 1st half of 2010, with the rate reaching 9.5% by next December (up from 8.5% in March). Where is the "glimmer of hope"? Economists projected an increase in production to fill store shelves emptied by businesses that cut production and inventories in 2008. The combination of this and apparent optimism among consumers appears to be behind the long awaited impact of the President's stimulus package.

Real Estate Predictions: Forbes vs. Honolulu Board of Realtors

Forbes predicted a 30.9% decline by 2011. HBR predicted single digit decline.

In January 2009, we reported on predictions made by Forbes and a research economist at HBR. Forbes predicted a 30.9% decline in Honolulu home prices by 2011 while HBR predicted single digit decline. The predictions were based on comparisons to 2nd quarter 2008 sales prices. Whose prediction is coming closer to reality? HBR, so far. The Median Sales Price in the "Metro Oahu (Town)" area for single family homes declined 10.6% while condos declined 8.6% (10.4% and 9.1% declines, respectively, for all of Oahu). The median in the "Metro Oahu (Town)" area for the 2nd quarter of 2008 was \$710,000 for SFH and \$325,000 for condos (\$636,000 and \$330,000, respectively, for Oahu). The median in Metro Oahu (Town) for the 1st quarter of 2009 was \$635,000 for SFH and \$297,200 for condos (\$570,000 and \$300,000, respectively, for Oahu).

Bankers: Marking to Market Makes Matters Murky

CPAs: A rose is a rose is a rose.

Investment bankers have complained to the U.S. Congress that banks are unfairly harmed by the accountant's mark to market accounting rules. It requires investment securities to be adjusted down to the price a buyer would pay for them. Such write downs can erode equity and hamper a bank's ability to make loans. The rule was instituted when our economy was more stable and was intended to provide transparency about the strength and liquidity of financial institutions. Bankers say the rules are too strict, requiring securities that are paying off as planned to be written down if no buyers can be found for them. As many of our readers know, such is the case in today's fear struck economy. Accounting rule makers recently placed more responsibility on accountants by relaxing the mark to market rule to allow accountants to use their best analyses and judgment in valuing securities where there is not a ready marketplace. Keeping frauds like the Madoff ponzi scheme in mind, we join the leaders of our profession in cautioning everyone to exercise due diligence in preventing abuses of the relaxed rule.

About CTS's People

Duane Seabolt, JD, MBA, CPA/CFF/ABV, CFE, is the firm's Director of Forensic Services. Recently, Duane acted as a mediator involving breach of contract claims between a mainland company and the company's prior owner. The parties successfully mediated their claims and reached a settlement which is close to being finalized. Duane also is assisting a local family with their plan of distribution of substantial real estate holdings in Hawaii and the mainland.

Kimo Todd, JD, CPA/ABV/CFF, CVA, is the firm's Director of Business Valuation Services. Recently, Kimo provided forensic accounting in a divorce proceeding. Kimo was able to discover previously undisclosed assets of our client's spouse. Also, Kimo recently assisted several closely-held businesses in determining the fair market value of the companies for business succession planning and tax purposes.

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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