

US Merger Activity Slows

US deals dry up. Overall US merger and acquisition activity slowed by more than 16% in the third quarter, down about 2,400 transactions from the year ago quarter. The individual deals, however, were somewhat richer, registering a slightly higher aggregate value of US\$235.9 billion.

Asia and Europe excel. The number of mergers remained steady in Asia during the third quarter, logging about 2,100 deals, with an astounding 57% increase in the aggregate value of US\$113 billion. Mergers and acquisitions in Europe surged. The value of aggregate deals in Europe increased by about 12% to EUR210 billion (about US\$315 billion) and the number of deals increased by about 8% to 3,023.

These trends speak to Asia's development and the decline of the value of the US dollar.

CPAs Adopt Competing Set of Valuation Standards

AICPA sets standards for CPAs. Until very recently, Certified Public Accountants had no guidance or standards for developing and reporting on the value of a business interest or intangible asset unless they belonged to one of the long standing valuation societies such as the American Society of Appraisers and the Appraisal Institute, both of which call for their members to abide by the Uniform Standards of Professional Appraisal Practice ("USPAP").

Desiring valuation standards that apply to each of the many services provided by CPAs, the American Institute of Certified Public Accountants has recently issued its business valuation standards. The AICPA's "Statement on Standards for Valuation Services" becomes effective next January. All CPAs will be required to comply with them.

Stock Market Still Upset

Subprime mortgages. The financial markets have continued to be a drag on the market in part because of fears that mortgage portfolios include subprime components. Fed Chair Ben Bernanke recently told Congress the total damage may reach US\$150 billion. Sorting out the ill effects of these risky loans will challenge the economy in the near term. The stock markets, after the Fed last week indicated the markets are essentially on their own, generally have taken this to heart, and in a big way. Almost one-half of the year to date gains have disappeared. Its possible, though, that the Wall Street crowd is overreacting. Sometimes the crowd is greedy. Sometimes it's afraid. At a time in the future we expect to see what statisticians call a reversion to the mean. Less sophisticated folks might just say it will all shake out.

About CTS's People

Duane Seabolt has been awarded the Certified Fraud Examiner designation by the Association of Certified Fraud Examiners. Duane, who with Kimo Todd became a member manager of our firm in April 2007, was previously a litigator with a large Honolulu law firm and a practicing CPA.

John Candon participated as a member of a panel that presented on accounting and valuation issues at the Fall 2007 Hawaii Judiciary Conference.

Kimo Todd and *Duane Seabolt* attended the 2007 AICPA Fraud & Litigation Services Conference in San Diego, California.

Who We Are Candon Todd & Seabolt is an independent consulting firm, dedicated to providing the highest quality of independent, objective and confidential service to our clients. CTS has provided financial and operational consulting services to clients in Hawaii and elsewhere for over 15 years. CTS's professionals specialize in business valuation, lost profits and earnings calculation, asset management, acquisition advice, profit improvement, forensic accounting, corporate recovery services, and fraud investigation.

CTS's professionals have extraordinary backgrounds and bring a wealth of business and personal experience to our assignments. We are dedicated to providing the highest quality of independent, objective and confidential service to our clients.

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 helpful to you. 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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