

Stock Market Freezes When Values Not Known

Uncertainty leads to no valuation, feeding fears. What happened to the stock market in August? Frankly, it appears chiefly to be panic, driven by fear of the unknown, whose genesis was the inability of the capital markets to value certain securities that are integral to collateralizing advances of banks' capital. Collateralized Mortgage Obligations ("CMOs") turned out to include unknown quantities of non-performing and performing sub-prime mortgages. In short, when it became clear sub-primes were not paying on time, CMOs that included some or a lot of sub-prime mortgages, and couldn't be valued, were no longer welcome at the dance. Things only began to sort themselves out when the Federal Reserve Bank, the market being starved for cash, accepted such CMOs as collateral for cash advances.

CPAs Adopt Business Valuation Standards

Standards complement USPAP. After several years of refinement and public comment, the American Institute of Certified Public Accountants has promulgated its business valuation standards. They become effective January 1, 2008 and all CPAs are required to comply with them. These standards complement the Uniform Standards of Professional Appraisal Practice that have governed the development and reporting of business valuation opinions for other professionals – such as ASAs and MAIs - for decades while introducing concepts tailored to CPAs.

Search Engine STILL For Sale

In search of do re mi.... In the summer of 2004, we reported that internet search engine service **Google, Inc.** had filed registration documents with the Securities & Exchange Commission to sell an unidentified number of shares, perhaps worth \$2.7 billion, in a Dutch auction. In a Dutch auction, bids are accepted until all shares are sold. The shares are then sold to all bidders at the lowest price bid. That auction resulted in sales at under \$100 per share. Three years later, after years of growth and acquisitions of such notables as youtube.com, Google trades in the area of about \$500.

Hedge Funds Hit

'Smart' investors smart.... The recent financial bloodbath on Wall Street and around the world took its greatest toll among the huge private equity funds euphemistically - and weirdly, if you ask us - labeled hedge funds. This reminds us of the Long Term Equity Fund debacle in 1998, when that high risk options trader managed by Nobel winning economists was bailed out only after arm twisting by the Fed. The best of times, the worst of times, they all return to the norm in their own good time.

About CTS's People

Duane Seabolt and Kimo Todd became member managers of our firm in April 2007. Kimo has been with CTS and its predecessor since 2006. Duane, a CPA since 1994, was a litigator with a large Honolulu law before joining us.

Kimo Todd was awarded the AICPA's valuation designation in January 2007. As a CPA who is Accredited in Business Valuation ("ABV"), Kimo values businesses and intangible assets.

Duane Seabolt earned the Certified Fraud Examiner ("CFE") designation in May 2007. This recognizes Duane's strong forensic accounting experience.

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, hospitality-related asset management, business acquisition advice, profit improvement, forensic accounting, corporate recovery services, and fraud investigation.

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 in many areas of the U.S. Mainland, Japan, China, and Taiwan. Most of CTS's clients are introduced to the Firm by our clients and friends.

Our Professionals 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.

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 give us a call at 808 533 1270 or email from our website at www.candonoddseabolt.com

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