

## 2007 US Merger Activity As Good As 2006

*Despite second half downturn.* Overall US merger and acquisition activity during 2007 approximated \$1.2 trillion, reasonably equivalent to 2006's impressive year-end total. August 2007 deals amounted to \$39.1 billion and increased each month through December 2007, when aggregate deal activity approximated \$78 billion.

*Asia and Europe continued to excel.* Economic growth and declines in the value of the US dollar framed deal growth in Asia and Europe. The 8,519 mergers in Asia during 2007 reflect a 6% increase over the deals during 2006. The aggregate value of those transactions rose by 16% to \$468 billion. Mergers and acquisitions in Europe surged. The aggregate value of European deals increased by about 21% to EUR1.1 trillion (US\$1.6 trillion). The number of deals increased by 7% to 12,362.

## Feds, Others Investigate Subprime Mess

*Did Fraud Fuel Subprime losses?* FBI Director Mueller recently affirmed that investigations of suspected subprime mortgage related fraud continue in all 50 states. Separately, a Massachusetts town recently forced a large Wall Street firm to buy back about \$10 million in securities that included subprime mortgages. Suspicions run the gamut, but include alleged misrepresentation of securities and falsification of financial statements.

## Relief for the Stock Markets?

*Subprime mortgages hammered bond insurers. Stocks Not So Low No Mo'.* Good news about the ability of leading bond insurer MBIA to hold up its end of commitments pleased the stock markets at the close of January, contributing to the erasure of about half of 2007's stock losses around the globe. Bond insurers are those usually invisible companies that insure bond offerings. In recent years they began issuing coverage for other securities, like the complicated Collateralized Debt Obligation created, in part, to securitize subprime mortgages. What happened next was anyone's educated guess. The power of both self-fulfilling prophecies and herd mentality provided perhaps the greatest hurdle to eventual economic recovery.

### About CTS and Our People

*Candon Todd & Seabolt Scholarship.* We are proud to continue to sponsor a scholarship for students in their junior or senior year of college or university who aspire to be financial executives. If you are aware of anyone who might be interested in applying for the CTS scholarship, please suggest that they contact the Honolulu Community Foundation for more information.

*Kimo Todd* will speak about business valuation at a Lorman-sponsored seminar about aspects of estate planning in February.

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. We 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.... 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](http://www.candontoddseabolt.com)

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