

M&A activity expanded in June for the thirteenth consecutive month but at a slightly slower pace than the previous month, according to *Mergers & Acquisitions'* M&A Conditions Index (MACI). The MACI composite score dipped to 54.5, down from 55.8 in May.

Most components of the index indicated some slowing in June, including leads for new deals, signed letters of intent and completed deals. Divestitures, an especially volatile component of late, dropped 5 points.

The components that showed improvement included financing availability, M&A business activity, M&A business staffing and bidders.

Most dealmakers who responded to our June survey expressed optimism about the overall conditions for M&A. The "aging population of owners looking to finally retire has been huge," said one participant. "Lack of family transition opportunity coupled with heavy PE appetite has been a boon for deal flow."

Some who reported a slowdown attributed it to summer vacations, while others blamed "gridlock" in the federal government. ■

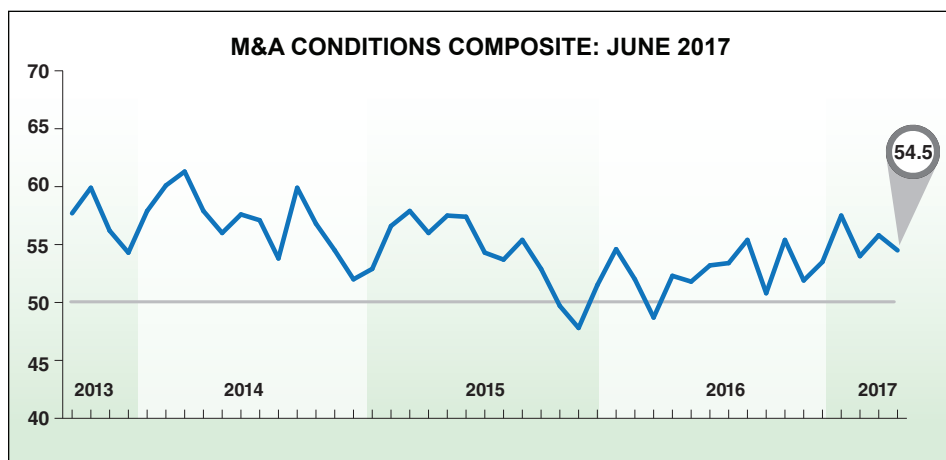
ABOUT THE MID-MARKET MERGERS AND ACQUISITIONS CONDITIONS INDEX (MACI)

The MACI is a composite index of mergers and acquisitions activity and conditions in the U.S. It is the result of the *Mergers & Acquisitions'* survey of executives in private equity firms, investment banks, lenders and advisor firms to track activity such as deals announced and deals completed, as well as acquisitions and divestitures.

Each sub-indicator is based on survey responses that describe a change from the previous month (e.g., increase, decrease, or no change). Respondents are also asked to elaborate on any of the changes and provide their opinions about other internal or external conditions that affect their firm's operations or business outlook. A diffusion index is produced for each sub-indicator by calculating the sum of percentages of those indicating "higher" (for positive sub-indicators) and "lower" (for negative sub-indicators) and half of those indicating the "same." A reading of over 50 indicates an expansion relative to the prior month, and a reading below 50 indicates a contraction.

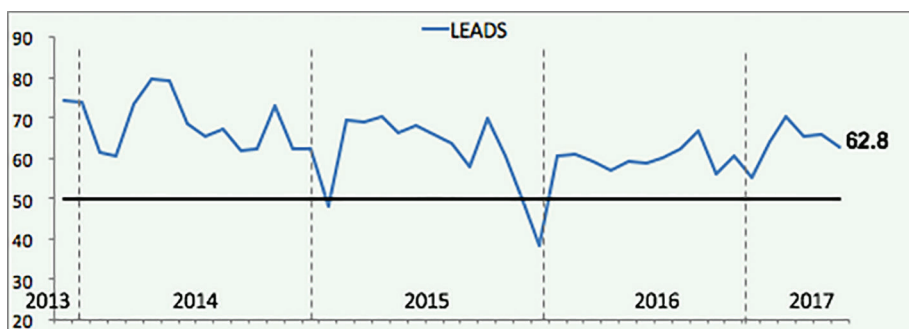
June composite at 54.5

Dealmaking slowed in June, perhaps due to summer vacations, but remained solidly in growth mode for the thirteenth month in a row. Survey respondents highlighted the aging population of business owners as an on-going source of M&A activity in the middle market.

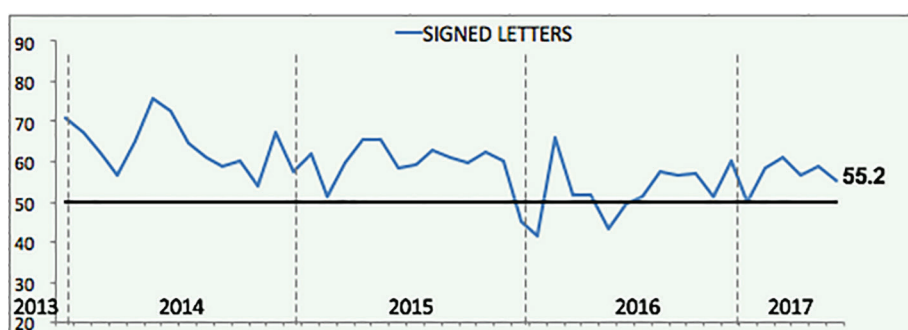


Month to Month Trends

Index	June Index	May Index	% Point Change	Direction	Rate of Change	Trend (months)
Composite	54.5	55.8	-1.3	Expansion	Slower	13
Leads	62.8	66.0	-3.2	Expansion	Slower	17
Signed Letters	55.2	58.7	-3.4	Expansion	Slower	17
Completed Deals	50.0	52.0	-2.0	Even	From Expansion	7
Divestitures	51.2	56.3	-5.0	Expansion	Slower	2
Financing Availability	54.3	52.6	1.7	Expansion	Faster	7
M&A Business Activity	57.9	56.8	1.1	Expansion	Faster	13
M&A Business Staffing	55.6	54.7	0.9	Expansion	Faster	5
Bidders	41.4	39.9	1.5	Contraction	Slower	17

**► Leads**

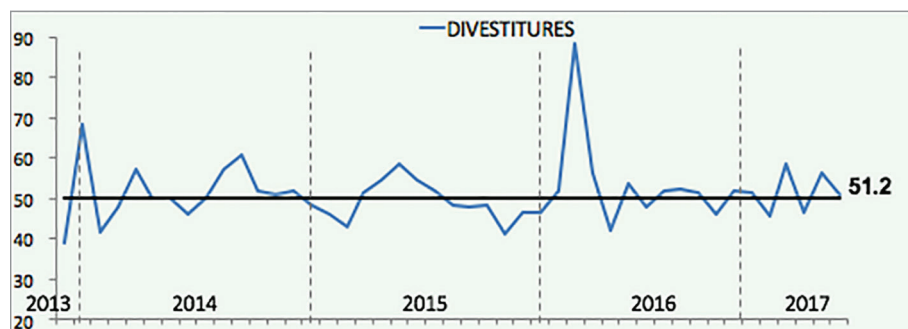
Leads for new deals fell more than 3 points but remained well into expansion.

**► Signed Letters**

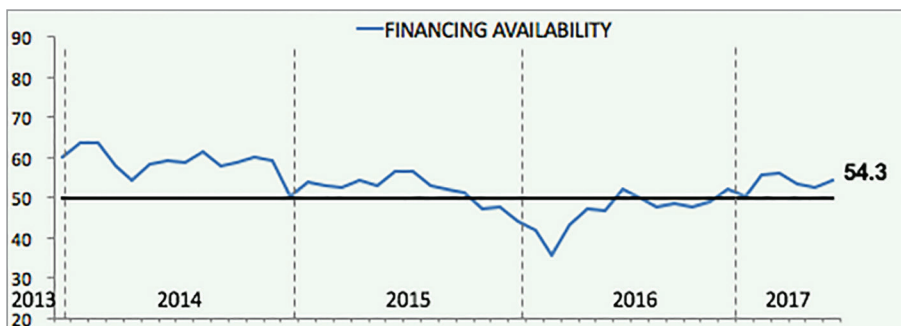
Signed letters of intent also decreased more than 3 points.

**► Completed Deals**

Completed deals were flat.

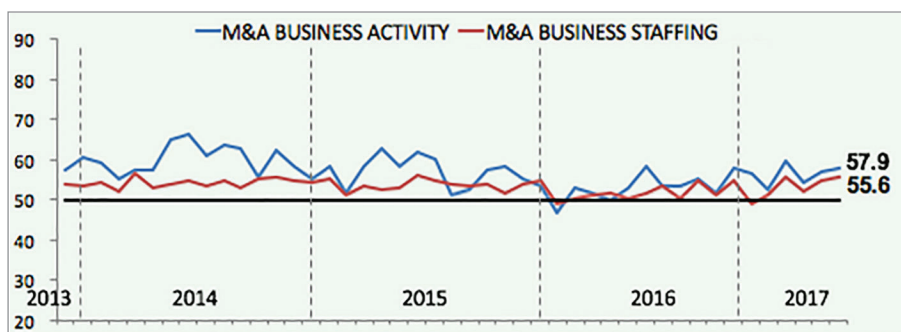
**► Divestitures**

Divestitures, a component that has been volatile in recent months, dropped 5 points.



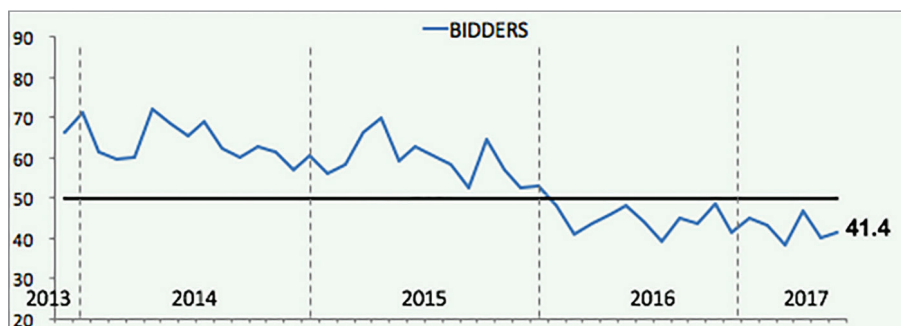
► Financing Availability

The availability of debt for deals rose slightly.



► Business Activity & Staffing

These components continued to grow in June.



► Bidders*

The bidders score improved slightly but remains far into contraction, where it has been for 17 months.

*Note: When survey respondents report increases in a contrary indicator (bidders) the composite index numbers drop, reflecting worsening business conditions. Contrary indicators are thus calculated inversely to quantify this effect.