

# HIGH YIELD & DISTRESSED MARKET REVIEW

Issue 14 / 04



CHANIN CAPITAL PARTNERS

Week of July 16, 2004

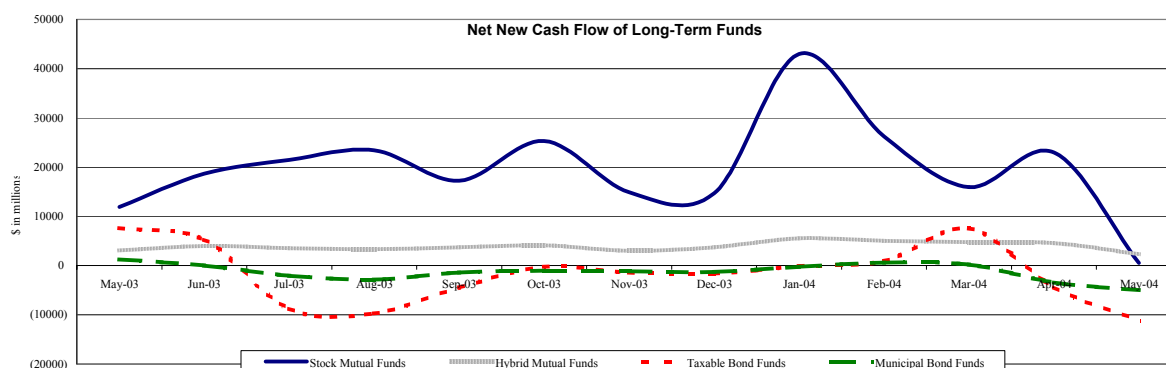
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## Key Market Indicators

	July 16, 2004		2 Week	2 Week	2 Week	2 Week	YTD	YTD
	Open	Close	High	Low	Change	Change %	Change	Change %
DJIA	10,163.16	10,139.78	10,247.59	10,139.78	-143.05	(1.39%)	-314.14	(3.00%)
Nasdaq	1,912.71	1,883.15	1,966.08	1,883.15	-123.51	(6.16%)	-120.22	(6.00%)
S&P 500	1,106.69	1,101.39	1,118.33	1,101.39	-23.99	(2.13%)	-10.53	(0.95%)
Russell 2000	562.16	555.48	572.41	555.48	-27.24	(4.67%)	-1.43	(0.26%)
OEX Volatility Index	14.71	14.34	16.25	13.76	-0.74	(4.91%)	-3.97	(21.68%)
Prime Rate	4.25%							
LIBOR	1 month	3 months	6 months	1 Year				
	1.41%	1.62%	1.88%	2.31%				

## Net New Cash Flow of Mutual Funds - Source: Investment Company Institute (\$ in millions)

	May-04	Apr-04	Mar-04	Feb-04	Jan-04	Dec-03	Nov-03	YTD 2004
Stock Mutual Funds	\$564	\$22,958	\$15,972	\$26,241	\$42,981	\$14,740	\$14,930	\$108,281
Hybrid Mutual Funds	\$2,281	\$4,577	\$4,793	\$5,022	\$5,520	\$3,699	\$3,022	\$22,056
Taxable Bond Funds	(\$11,154)	(\$4,391)	\$7,564	\$926	(\$103)	(\$1,575)	(\$1,480)	(\$7,016)
Municipal Bond Funds	(\$5,000)	(\$3,394)	\$245	\$590	(\$215)	(\$1,286)	(\$1,169)	(\$7,854)



## Altman-NYU Salomon Center Defaulted Securities Indexes (December 1995=100)

Index	Jun-04	May-04	Apr-04	Mar-04	Feb-04	Jun-04	YTD
	Level	Level	Level	Level	Level	Month Return	Return
Altman-NYU Defaulted Bank Loans Index	162.9	160.2	156.2	157.0	159.0	1.68%	6.00%
Altman-NYU Defaulted Public Bonds Index	128.4	124.7	126.7	123.6	127.3	2.94%	6.45%
Combined Bank Loan-Public Bond Index	153.3	149.9	149.1	147.8	150.6	2.24%	6.13%
S&P 500 (Dividends Reinvested)	201.0	197.2	194.5	197.6	200.6	1.94%	3.44%
Citigroup High Yield Index	180.9	169.3	167.0	169.6	172.2	1.49%	1.19%

## Distressed News

Story Description	Size (\$mil)	Date	Source
Judge Confirms Enron's Chapter 11 Plan, Approves Deal With Creditor Groups	NA	07/16/04	DBR
Court OKs NorthWestern Deal With Montana Regulators	NA	07/16/04	DBR
Telewest Communications Restructuring Becomes Effective	NA	07/16/04	DBR
Maxim Crane Gets Final OK Of \$70M DIP Financing	\$70.0	07/15/04	DBR
Adelphia Selects Advisers For Asset Sale	NA	07/15/04	DBR
Footstar To Sell Distribution Center, Outsource Logistics	\$20.0	07/13/04	DBR
Avianca SA Files Chapter 11 Plan Based On Sinergy Deal	NA	07/12/04	DBR

## M&A Announced Transactions

Target	Acquirer	Value (\$mil)	Date	Industry
Seisint Inc	LexisNexis Group	\$775.0	07/14/04	Business Services
National Processing Inc	Bank of America Corp	\$1,424.1	07/13/04	Business Services
Baylor-Medical Office (20)	Healthcare Realty Trust Inc	\$133.0	07/12/04	Health Services
ViPS Inc	WebMD Corp	\$160.0	07/12/04	Business Services
Secure Computing Corp	CyberGuard Corp	\$286.2	07/11/04	Business Services

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The information contained in this newsletter has been compiled from a variety of news sources believed to be reliable. It is intended to provide general information about the high yield and distressed markets. It is not intended to be used as financial advice.

## HIGH YIELD &amp; DISTRESSED MARKET REVIEW

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**M&A Announced Transactions (Continued)**

Target	Acquirer	Value (\$mil)	Date	Industry
Dana-Aftermarkrte Business	Cypress Group LLC	\$1,100.0	07/09/04	Transportation Equipment
Leach Holding Corp	Esterline Technologies	\$145.0	07/09/04	Measuring, Medical, Photo Equipment; Clocks
Amer Ctrl E TX Gas	MarkWest Energy Partners	\$240.0	07/08/04	Electric, Gas, and Water Distribution
NextWave Telec-PCS Licenses,NY	Verizon Wireless Inc	\$930.0	07/08/04	Telecommunications
Paramount Hotel	Becker Ventures LLC	\$128.5	07/08/04	Hotels and Casinos
Wilson International Inc	CE Franklin Ltd(Smith Intl)	\$250.0	07/08/04	Wholesale Trade-Durable Goods
Hurt Generation Facility	Dominion Virginia Power	\$197.0	07/07/04	Electric, Gas, and Water Distribution
Borden Chemical Inc	Apollo Management LP	\$1,200.0	07/06/04	Chemicals and Allied Products
Retriever Payment Systems	GTCR Golder Rauner LLC	\$250.0	07/06/04	Credit Institutions
21st Century Newspapers Inc	Journal Register Co	\$415.0	07/06/04	Printing, Publishing, and Allied Services
Del Laboratories Inc	Investor Group	\$400.8	07/02/04	Soaps, Cosmetics, and Personal-Care Products
Genus Inc	Aixtron AG	\$178.7	07/02/04	Machinery
Jackson Federal Bank	UnionBanCal Corp,CA	\$305.0	07/02/04	Commercial Banks, Bank Holding Companies
DRS Technologies Inc	L-3 Communications Hldg	\$1,154.7	07/01/04	Measuring, Medical, Photo Equipment; Clocks
Inveresk Research Group Inc	Charles River Labs Int Inc	\$1,522.5	07/01/04	Business Services
International Plaza	Taubman Centers Inc	\$104.5	07/01/04	Real Estate; Mortgage Bankers and Brokers
Qwest Commun Intl-PCS Licenses	Verizon Wireless Inc	\$418.0	07/01/04	Telecommunications
Shell Oil Prod-Pipelines,MO(5)	Buckeye Pipe Line Co	\$530.0	07/01/04	Oil and Gas; Petroleum Refining

**High Yield Credit Rating Upgrades for Last 2 Weeks**

Company Name	Date	Rating Type	Agency	Current	Last	Industry
Snow Brand Milk Products	07/14/04	Senior Unsecured Debt	Moody's	Caa1 **	Caa1	Food-Dairy Products
Greyhound Lines Inc	07/13/04	LT Local Issuer Credit	S&P	CCC **	CCC	Transport-Services
Alliance Gaming Corp	07/12/04	Bank Loan Debt	Moody's	Ba3	B1	Casino Services
JC Penney Co Inc	07/12/04	Bank Loan Debt	Moody's	Ba1 **	Ba1	Retail-Major Dept Store
JC Penney Co Inc	07/12/04	Equity Linked	Moody's	B1 **	B1	Retail-Major Dept Store
Nissho Iwai Corp	07/12/04	Equity Linked	Moody's	Ba3	B1 **	Import/Export
Alliance Gaming Corp	07/12/04	Senior Implied Issuer	Moody's	Ba3	B1	Casino Services
JC Penney Co Inc/New	07/12/04	Senior Implied Issuer	Moody's	Ba2 **	Ba2	Retail-Major Dept Store
JC Penney Co Inc/New	07/12/04	Senior Unsecured Debt	Moody's	Ba3 **	Ba3	Retail-Major Dept Store
Nissho Iwai Corp	07/12/04	Senior Unsecured Debt	Moody's	Ba3	B1 **	Import/Export
Nissho Iwai International Fin.	07/12/04	Senior Unsecured Debt	Moody's	B1	B2 **	Import/Export
Sojitz Corp	07/12/04	Senior Unsecured Debt	Moody's	Ba3	B1 **	Import/Export
Dana Corp	07/09/04	Bank Loan Debt	Moody's	Ba3 **	Ba3	Auto/Trk Prts&Equip-Orig
Merrill Communications LLC	07/09/04	Bank Loan Debt	Moody's	B1	B3	Printing-Commercial
Dana Corp	07/09/04	Senior Implied Issuer	Moody's	Ba3 **	Ba3	Auto/Trk Prts&Equip-Orig
Merrill Corp	07/09/04	Senior Implied Issuer	Moody's	B2	B3	Printing-Commercial
Dana Corp	07/09/04	Senior Unsecured Debt	Moody's	Ba3 **	Ba3	Auto/Trk Prts&Equip-Orig
Dana Credit Corp	07/09/04	Senior Unsecured Debt	Moody's	Ba3 **	Ba3	Finance-Leasing Compan
Denny's Corp	07/09/04	Senior Unsecured Debt	Moody's	Caa3	Ca	Retail-Restaurants
Sega Corp	07/09/04	Senior Unsecured Debt	Moody's	B1 **	B1	Toys
Merrill Corp	07/09/04	Subordinated Debt	Moody's	Caa1	Caa2	Printing-Commercial
Denny's Corp	07/08/04	LT Local Issuer Credit	S&P	CCC+	CCC-	Retail-Restaurants
Nextel Finance Co	07/07/04	Bank Loan Debt	Moody's	Ba1	Ba2 **	Telecom Services
Hollywood Theaters Inc	07/07/04	LT Local Issuer Credit	S&P	B	WR	N.A.
Nextel Communications Inc	07/07/04	Senior Implied Issuer	Moody's	Ba2	Ba3 **	Cellular Telecom
Nextel Communications Inc	07/07/04	Senior Unsecured Debt	Moody's	Ba3	B2 **	Cellular Telecom
Duane Reade Inc	07/06/04	Bank Loan Debt	Moody's	B1	WR	Retail-Drug Store
Premier Financing Ltd	07/06/04	Bank Loan Debt	Moody's	B1 **	B1	Food-Wholesale/Distrib
Dunlop Standard Aerospace	07/06/04	LT Local Issuer Credit	S&P	B **	B	Aerospace/Defense
Premier Foods PLC	07/06/04	Senior Implied Issuer	Moody's	B1 **	B1	Food-Wholesale/Distrib
Duane Reade Inc	07/06/04	Senior Subordinate	Moody's	B3	WR	Retail-Drug Store
Premier Foods PLC	07/06/04	Senior Unsecured Debt	Moody's	B3 **	B3	Food-Wholesale/Distrib
Premier Financing Ltd	07/05/04	LT Local Issuer Credit	S&P	B+ **	B+	Food-Wholesale/Distrib
Premier Foods PLC	07/05/04	LT Local Issuer Credit	S&P	B+ **	B+	Food-Wholesale/Distrib
C-Tec Cable Systems Inc	07/02/04	Bank Loan Debt	Moody's	B3	Caa3	Telecom Services
YUKOS	07/02/04	Senior Implied Issuer	Moody's	B1 *	B1 *	Oil Comp-Integrated
Horseshoe Gaming	07/02/04	Senior Subordinate	Moody's	Ba1	B2 **	Gambling (Non-Hotel)
Shiloh Industries Inc	07/01/04	Bank Loan Debt	Moody's	B1	B3	Steel-Producers
Primer Banco del Istmo SA	07/01/04	Long Term Bank Deposits	Moody's	Ba2 **	Ba2	Commer Banks Non-US
Better Minerals & Aggregates	07/01/04	LT Local Issuer Credit	S&P	CCC	SD	Quarrying
Shiloh Industries Inc	07/01/04	Senior Implied Issuer	Moody's	B1	B3	Steel-Producers
Omnipoint Corp	07/01/04	Senior Unsecured Debt	Moody's	Ba2	Ba3 **	Cellular Telecom
VoiceStream Wireless Corp	07/01/04	Senior Unsecured Debt	Moody's	Ba2	Ba3 **	Cellular Telecom

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## HIGH YIELD &amp; DISTRESSED MARKET REVIEW

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Week of July 16, 2004

## High Yield Credit Rating Downgrades for Last 2 Weeks

Company Name	Date	Rating Type	Agency	Current	Last	Industry
ATA Airlines Inc	07/14/04	LT Local Issuer Credit	S&P	CCC	CCC **	Airlines
ATA Holdings Corp	07/14/04	LT Local Issuer Credit	S&P	CCC	CCC **	Airlines
Sojitz Corp	07/14/04	LT Local Issuer Credit	S&P	CCC *	B- *	Import/Export
Crompton Corp	07/13/04	LT Local Issuer Credit	S&P	BB-	BB	Chemicals-Specialty
King Pharmaceuticals Inc	07/13/04	LT Local Issuer Credit	S&P	BB	BB+ *	Medical-Drugs
Waterford Wedgwood PLC	07/13/04	LT Local Issuer Credit	S&P	B	B+ *	Crystal&Giftware
Evergreen International Aviat.	07/13/04	Senior Implied Issuer	Moody's	Caa2	B3 *	Transport-Air Freight
USEC Inc	07/13/04	Senior Implied Issuer	Moody's	Ba2 *	Ba1	Non-Ferrous Metals
Evergreen International Aviat.	07/13/04	Senior Secured Debt	Moody's	Ca	Caa2 *	Transport-Air Freight
USEC Inc	07/13/04	Senior Unsecured Debt	Moody's	Ba3 *	Ba2	Non-Ferrous Metals
Central Garden and Pet Co	07/12/04	LT Local Issuer Credit	S&P	BB *	BB	Consumer Products-Misc
Citizens Communications	07/12/04	Senior Unsecured Debt	Moody's	Ba3	Baa3 *	Telephone-Integrated
Gulfmark Offshore Inc	07/12/04	Senior Unsecured Debt	Moody's	B2	B1	Transport-Marine
Mariner Health Care Inc	07/09/04	Bank Loan Debt	Moody's	Ba3 *	Ba3	Medical-Nursing Homes
Worldspan LP	07/09/04	Bank Loan Debt	Moody's	B1	B1 **	Travel Services
Sabreliner Corp	07/09/04	LT Local Issuer Credit	S&P	B-	B *	Aerospace/Defense
Mariner Health Care Inc	07/09/04	Senior Implied Issuer	Moody's	B1 *	B1	Medical-Nursing Homes
Triton PCS Inc	07/09/04	Senior Implied Issuer	Moody's	B2 *	B2	Cellular Telecom
Worldspan LP	07/09/04	Senior Implied Issuer	Moody's	B1	B1 **	Travel Services
Mariner Health Care Inc	07/09/04	Senior Subordinate	Moody's	B3 *	B3	Medical-Nursing Homes
Triton PCS Inc	07/09/04	Senior Unsecured Debt	Moody's	B2 *	B2	Cellular Telecom
Worldspan LP	07/09/04	Senior Unsecured Debt	Moody's	B2	B2 **	Travel Services
Triton PCS Inc	07/09/04	Subordinated Debt	Moody's	B3 *	B3	Cellular Telecom
OM Group Inc	07/08/04	Senior Implied Issuer	Moody's	B2 *	B2	Chemicals-Specialty
Winn-Dixie Stores Inc	07/08/04	Senior Implied Issuer	Moody's	B1	Ba3	Food-Retail
OM Group Inc	07/08/04	Senior Subordinate	Moody's	Caa1 *	Caa1	Chemicals-Specialty
Winn-Dixie Stores Inc	07/08/04	Senior Unsecured Debt	Moody's	B3	B1	Food-Retail
Journal Register Co	07/07/04	Bank Loan Debt	Moody's	Ba1 *	Ba1	Publishing-Newspapers
Alfa Bank	07/07/04	Long Term Bank Deposits	Moody's	Ba2 *	Ba2	Commer Banks Non-US
Aljba Alliance Comm. Bank	07/07/04	Long Term Bank Deposits	Moody's	B1 *	B1	N.A.
Bank Zenit	07/07/04	Long Term Bank Deposits	Moody's	B1 *	B1	Commer Banks Non-US
Bank of Moscow	07/07/04	Long Term Bank Deposits	Moody's	Ba2 *	Ba2	Commer Banks Non-US
Credit Bank of Moscow	07/07/04	Long Term Bank Deposits	Moody's	B1 *	B1	Commer Banks Non-US
MDM Financial Group	07/07/04	Long Term Bank Deposits	Moody's	Ba2 *	Ba2	Commer Banks Non-US
Russian Standard Bank ZAO	07/07/04	Long Term Bank Deposits	Moody's	Ba3 *	Ba3	Commer Banks Non-US
Transcreditbank	07/07/04	Long Term Bank Deposits	Moody's	Ba3 *	Ba3	N.A.
Trust Investment Bank Ltd	07/07/04	Long Term Bank Deposits	Moody's	B1 *	B1	Commer Banks Non-US
Journal Register Co	07/07/04	Senior Implied Issuer	Moody's	Ba1 *	Ba1	Publishing-Newspapers
Alfa-Russia Finance BV	07/07/04	Senior Unsecured Debt	Moody's	Ba2 *	Ba2	Commer Banks Non-US
Bank Zenit	07/07/04	Senior Unsecured Debt	Moody's	B1 *	B1	Commer Banks Non-US
MDM Financial Group	07/07/04	Senior Unsecured Debt	Moody's	Ba2 *	Ba2	Commer Banks Non-US
NOMOS-BANK	07/07/04	Senior Unsecured Debt	Moody's	B1 *	B1	Commer Banks Non-US
Petrocommerce Bank	07/07/04	Senior Unsecured Debt	Moody's	B1 *	B1	Commer Banks Non-US
Russian Standard Bank ZAO	07/07/04	Senior Unsecured Debt	Moody's	Ba3 *	Ba3	Commer Banks Non-US
Duane Reade Inc	07/06/04	Equity Linked	Moody's	B2	B1 **	Retail-Drug Store
Atlantic Express Transport.	07/06/04	LT Local Issuer Credit	S&P	B *	B	Transport-Services
Borden Chemical Inc	07/06/04	LT Local Issuer Credit	S&P	BB *	BB	Chemicals-Plastics
Duane Reade Inc	07/06/04	LT Local Issuer Credit	S&P	B	B+ *	Retail-Drug Store
Journal Register Co	07/06/04	LT Local Issuer Credit	S&P	BB+ *	BB+	Publishing-Newspapers
Borden Chemical Inc	07/06/04	Senior Implied Issuer	Moody's	B1 *	B1	Chemicals-Plastics
Crompton Corp	07/06/04	Senior Implied Issuer	Moody's	Ba3 *	Ba2 *	Chemicals-Specialty
Duane Reade Inc	07/06/04	Senior Implied Issuer	Moody's	B1	Ba3 **	Retail-Drug Store
Borden Chemical Inc	07/06/04	Senior Unsecured Debt	Moody's	B2 *	B2	Chemicals-Plastics
Crompton Corp	07/06/04	Senior Unsecured Debt	Moody's	Ba3 *	Ba2 *	Chemicals-Specialty
Witco Corp	07/06/04	Senior Unsecured Debt	Moody's	Ba3 *	Ba2 *	Chemicals-Specialty
JL French Automotive	07/02/04	Bank Loan Debt	Moody's	B3	B2	Auto/Trk Prts&Equip-Orig
YUKOS	07/02/04	LT Local Issuer Credit	S&P	CC *	CCC *	Oil Comp-Integrated
JL French Automotive	07/02/04	Senior Implied Issuer	Moody's	B3	B2	Auto/Trk Prts&Equip-Orig
Teksid Aluminum SpA	07/02/04	Senior Implied Issuer	Moody's	B2	B1	Auto-Cars/Light Trucks
JL French Automotive	07/02/04	Senior Subordinate	Moody's	Ca	Caa1	Auto/Trk Prts&Equip-Orig
Teksid Aluminum Luxem.	07/02/04	Senior Unsecured Debt	Moody's	Caa1	B2	Auto-Cars/Light Trucks
Titan Corp	07/01/04	Bank Loan Debt	Moody's	Ba3 *	Ba3 **	Aerospace/Defense
Applied Extrusion Tech.	07/01/04	LT Local Issuer Credit	S&P	D	CCC	Chemicals-Plastics
Titan Corp	07/01/04	Senior Implied Issuer	Moody's	Ba3 *	Ba3 **	Aerospace/Defense

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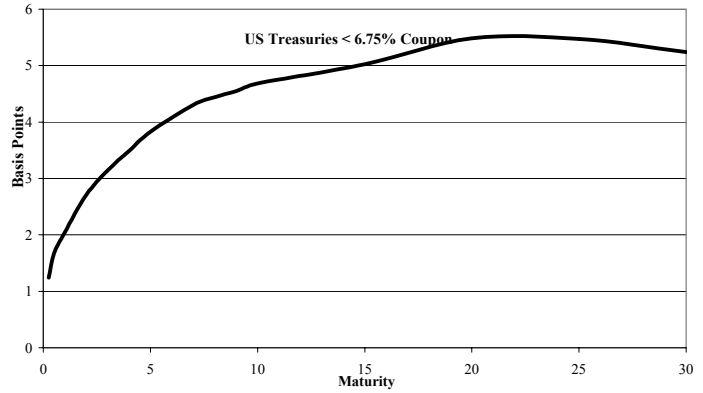
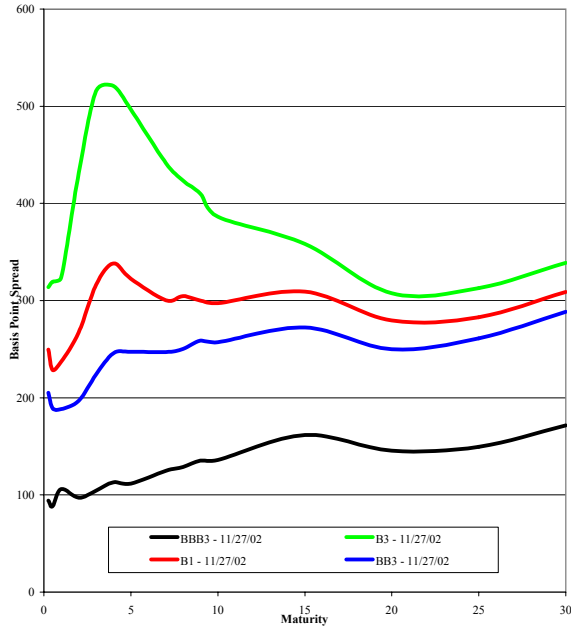
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Corporate Bond Spreads to US Treasury Notes with Coupons < 6.75%



Change in spread to US treasuries with coupons < 6.75% (7 Year)

	Time Period of Change			
	2 weeks	3 months	6 months	1 year
B3	(17)	4	(106)	(202)
B1	(1)	14	(77)	(186)
BB3	(4)	(16)	(78)	(247)
BBB3	3	(8)	(31)	(89)

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## Resources. Experience. Results.

### Telecommunications & Technology



Financial Advisor to the Ad-hoc Committee of Noteholders of Alamosa Holdings, Inc., in an exchange offer resulting in the tender of 97.2% of its \$750 million Notes

#### American Cellular Corporation

Financial Advisor to the Ad-hoc Committee of Noteholders of American Cellular Corporation in its restructuring of \$700 million of Senior Subordinated Notes and acquisition by Dobson Communications Corporation



Financial Advisor to the Official Committee of Unsecured Creditors of Focal Communications Corporation representing approximately \$245 million of bond debt



Financial Advisor to the Official Committee of Unsecured Creditors of Global Crossing Ltd. in its restructuring of more than \$12 billion in debt, and the sale of 62% of its equity to Singapore Technologies Telemedia



Financial Advisor to the Official Committee of Unsecured Creditors of Leap Wireless International, Inc., in its Chapter 11 restructuring of approximately \$2.5 billion in aggregate liabilities



Financial Advisor to the Ad-hoc Committee of Noteholders of Redback Networks, Inc., in its pre-packaged Chapter 11 restructuring of \$467.5 million of outstanding debt



Financial Advisor to Silicon Graphics, Inc., in its successful exchange offer resulting in the tender of 98.6% of its \$230 million 5.25% Senior Convertible Notes due 2004



Financial Advisor to Song Networks Holdings AB in its restructuring through the Dutch Akkoord in the District Court of Amsterdam which included a debt-for-equity swap of approximately SEK 5.3 billion of senior notes, a new money investment of SEK 300 million, and the acquisition of Arrow head AB



Financial Advisor to the Official Committee of Unsecured Creditors of UPC Polska, Inc., in its restructuring of approximately \$1 billion in aggregate liabilities

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