

HIGH YIELD & DISTRESSED MARKET REVIEW

Issue 01

Week of January 7, 2005

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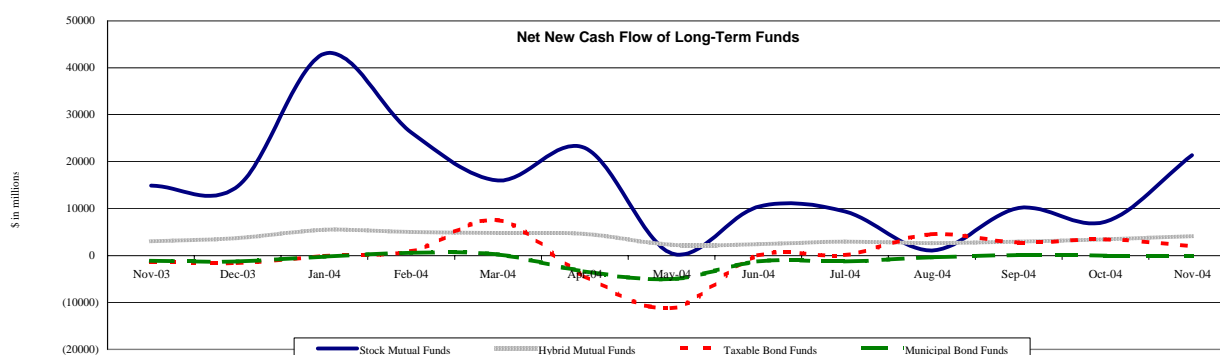
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Key Market Indicators

	January 7, 2005		2 Week	2 Week	2 Week	2 Week	YTD	YTD
	Open	Close	High	Low	Change	Change %	Change	Change %
DJIA	10,622.88	10,603.96	10,854.54	10,597.83	(223.16)	(2.06%)	74.93	0.71%
Nasdaq	2,090.00	2,088.61	2,178.34	2,088.61	(72.01)	(3.33%)	10.93	0.53%
S&P 500	1,187.89	1,186.19	1,213.55	1,183.74	(23.94)	(1.98%)	59.86	5.31%
Russell 2000	619.82	613.21	654.57	613.21	(36.16)	(5.57%)	38.59	6.72%
OEX Volatility Index	13.58	13.49	14.09	11.62	2.26	20.12%	(2.01)	(12.97%)
Prime Rate	5.25%							
LIBOR	1 month	3 months	6 months	1 Year				
	2.42%	2.61%	2.84%	3.19%				

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

	Nov-04	Oct-04	Sep-04	Aug-04	Jul-04	Jun-04	May-04	YTD 2004
Stock Mutual Funds	\$21,345	\$7,169	\$10,113	\$1,089	\$9,368	\$10,397	\$431	\$167,407
Hybrid Mutual Funds	\$4,137	\$3,451	\$2,958	\$2,610	\$2,983	\$2,419	\$2,291	\$40,596
Taxable Bond Funds	\$2,003	\$3,470	\$2,740	\$4,565	\$126	\$62	(\$11,228)	\$1,371
Municipal Bond Funds	(\$6)	\$0	\$90	(\$383)	(\$1,284)	(\$1,284)	(\$5,002)	(\$12,744)



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

Index	Nov-04 Level	Oct-04 Level	Sep-04 Level	Aug-04 Level	Jul-04 Level	Nov-04 Month Return	YTD Return
Altman-NYU Defaulted Bank Loans Index	171.0	163.2	162.7	165.2	165.0	4.77%	11.28%
Altman-NYU Defaulted Public Bonds Index	138.3	129.6	129.0	126.8	126.8	6.70%	14.65%
Combined Bank Loan-Public Bond Index	163.0	154.2	153.6	153.6	153.5	5.73%	12.90%
S&P 500 (Dividends Reinvested)	208.4	200.2	197.2	195.1	194.3	4.05%	7.23%
Citigroup High Yield Index	195.2	193.0	189.1	186.5	183.2	1.16%	9.22%

Distressed News

Story Description	Size (\$mil)	Date	Source
Interstate Bakeries Seeks Eight More Months To File Ch. 11 Plan	n/a	01/07/05	DBR
Seven Bidders Vie For Stelco Control	n/a	01/06/05	DBR
American Commercial Lines LLC Plans to Emerge from Ch. 11 on Jan. 10	n/a	01/05/05	DBR
Maxim Crane Works Wins Confirmation Of Chapter 11 Plan	n/a	01/04/05	DBR
Halliburton Units Leave Chapter 11 After Finalizing Asbestos Settlement	n/a	01/04/05	DBR
NRG Energy Amends \$950M Credit Line, Completes Buyback	\$950.0	12/29/04	DBR
American Business Financial May File Ch. 11 After Note Default	n/a	12/28/04	DBR

M&A Announced Transactions

Target	Acquirer	Value (\$mil)	Date	Industry
Water Terrace	Colony Capital LLC	\$305.0	01/05/05	Real Estate; Mortgage Bankers and Brokers
Arden Realty Inc	Shidler Group	\$142.0	01/05/05	Real Estate; Mortgage Bankers and Brokers
United Industries Corp	Rayovac Corp	\$1,594.0	01/04/05	Chemicals and Allied Products
Insight Pharmaceuticals Corp	Allied Capital Corp	\$155.0	01/04/05	Wholesale Trade-Nondurable Goods
Total Logistics Inc	SuperValu Inc	\$153.7	01/04/05	Transportation and Shipping (except air)
RR Donnelley & Sons Co	RR Donnelley & Sons Co	\$356.0	01/03/05	Printing, Publishing, and Allied Services
DuPont Dow Elastomers	Dow Chemical Co	\$87.0	01/03/05	Chemicals and Allied Products

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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.

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M&A Announced Transactions (Continued)

Target	Acquirer	Value (\$mil)	Date	Industry
Sea Pro Boats Inc	Brunswick Corp	\$55.0	01/03/05	Transportation Equipment
PCX Holdings Inc	Archipelago Holdings Inc	\$50.7	01/03/05	Investment & Commodity Firms,Dealers,Exchanges
Wyndham Intl Inc	Investor Group	\$366.0	12/31/04	Hotels and Casinos
Edgen Corp	Investor Group	\$124.0	12/31/04	Metal and Metal Products
Clougherty Packaging Co	Hormel Foods Corp	\$186.0	12/30/04	Food and Kindred Products
Vinci Systems Inc	Tellabs Inc	\$52.5	12/30/04	Computer and Office Equipment
Classic Bancshares	City Holding Co.	\$55.9	12/29/04	Savings and Loans, Mutual Savings Banks
First Data Corp	iPayment Inc	\$130.0	12/28/04	Credit Institutions
Pasternack Enterprises	Amer Capital Strategies Ltd	\$89.0	12/28/04	Electronic and Electrical Equipment
BRG Petroleum Corp	Chesapeake Energy Corp	\$325.0	12/27/04	Oil and Gas; Petroleum Refining
Undisclosed Hotel Portfolio	Ashford Hospitality Trust Inc	\$250.0	12/27/04	Hotels and Casinos
META Group Inc	Gartner Inc	\$165.8	12/27/04	Business Services
Oil and Gas Assets	Stone Energy Corp	\$85.0	12/27/04	Oil and Gas; Petroleum Refining
Manufacturing Technology Inc	MTC Technologies Inc	\$75.0	12/27/04	Miscellaneous Manufacturing
H Koch & Sons Co	Cobham PLC	\$63.0	12/24/04	Aerospace and Aircraft
Wilmorite Property	Macerich Co	\$2,333.0	12/23/04	Real Estate; Mortgage Bankers and Brokers
Bi-Lo Inc	Lone Star Fund	\$660.0	12/23/04	Retail Trade-Food Stores
Bear Swamp	Investor Group	\$92.0	12/23/04	Electric, Gas, and Water Distribution
My Choice Medical	Vertrue Inc	\$89.0	12/23/04	Business Services
Middleby Corp	Middleby Corp	\$76.0	12/23/04	Machinery
Heads & Threads International	Investor Group	\$55.0	12/23/04	Wholesale Trade-Durable Goods

High Yield Credit Rating Upgrades for Last 2 Weeks

Company Name	Date	Rating Type	Agency	Current	Last	Industry
Tucson Electric Power Co	01/06/05	LT Local Issuer Credit	S&P	BB	BB *	Electric-Integrated
Tucson Electric Power	01/06/05	LT Local Issuer Credit	S&P	BB	BB *	Electric-Integrated
Alliance Laundry Systems	01/05/05	Senior Implied Issuer	Moody's	B1	WR	Machinery-Electrical
Moog Inc	01/04/05	LT Local Issuer Credit	S&P	BB	BB-	Aerospace/Defense-Equip
Accuride Corp	12/28/04	LT Local Issuer Credit	S&P	B *+	B	Auto/Trk Prts&Equip-Orig
Transportation Technologies	12/28/04	LT Local Issuer Credit	S&P	B *+	B	Auto/Trk Prts&Equip-Orig
Transportation Technologies	12/28/04	LT Local Issuer Credit	S&P	B *+	B	Metal Processors&Fabrica
Ametek Inc	12/28/04	Senior Implied Issuer	Moody's	Ba1 *+	Ba1	Electric Products-Misc
Ametek Inc	12/28/04	Senior Unsecured Debt	Moody's	Ba1 *+	Ba1	Electric Products-Misc
Freeport-McMoRan Copper	12/27/04	LT Local Issuer Credit	S&P	BB-	B+	Metal-Diversified
Oki Electric Industry Co Ltd	12/27/04	Senior Unsecured Debt	Moody's	Ba2	B1 *+	Telecommunication Equip
Greif Inc	12/23/04	Bank Loan Debt	Moody's	Ba2	Ba3	Containers-Metal/Glass
OfficeMax Inc	12/23/04	Bank Loan Debt	Moody's	Ba1	Ba2 *+	Retail-Office Supplies
Shiloh Industries Inc	12/23/04	LT Local Issuer Credit	S&P	BB-	B+	Steel-Productors
Bowne & Co Inc	12/23/04	Senior Implied Issuer	Moody's	Ba3	B1 *+	Printing-Commercial
Greif Inc	12/23/04	Senior Implied Issuer	Moody's	Ba2	Ba3	Containers-Metal/Glass
OfficeMax Inc	12/23/04	Senior Implied Issuer	Moody's	Ba1	Ba2 *+	Retail-Office Supplies
Whiting Petroleum Corp	12/23/04	Senior Implied Issuer	Moody's	Ba3	Ba3 *	Oil Comp-Explor&Prodn
Cedar Brakes I LLC	12/23/04	Senior Secured Debt	Moody's	Caa1 *+	Caa1	Special Purpose Entity
Cedar Brakes II LLC	12/23/04	Senior Secured Debt	Moody's	Caa1 *+	Caa1	Special Purpose Entity
Greif Inc	12/23/04	Senior Subordinate	Moody's	B1	B2	Containers-Metal/Glass
Whiting Petroleum Corp	12/23/04	Senior Subordinate	Moody's	B2	B2 *	Oil Comp-Explor&Prodn
American & Foreign Power	12/23/04	Senior Unsecured Debt	Moody's	Ba1	Ba2 *+	Paper&Related Products
Bowne & Co Inc	12/23/04	Subordinated Debt	Moody's	B2	Caa1 *+	Printing-Commercial

High Yield Credit Rating Downgrades for Last 2 Weeks

Company Name	Date	Rating Type	Agency	Current	Last	Industry
NDCHHealth Corp	01/06/05	Senior Implied Issuer	Moody's	B1 *	Ba3	Medical Information Sys
NDCHHealth Corp	01/06/05	Senior Subordinate	Moody's	B3 *	B2	Medical Information Sys
Mueller Group Inc	01/05/05	Bank Loan Debt	Moody's	B2 *	B1	Metal Processors&Fabrica
Cognis Deutschland GMBH	01/05/05	LT Local Issuer Credit	S&P	B+	BB-	Chemicals-Diversified
Cognis GmbH	01/05/05	LT Local Issuer Credit	S&P	B+	BB-	Chemicals-Diversified
Mueller Group Inc	01/05/05	Senior Implied Issuer	Moody's	B2 *	B2	Metal Processors&Fabrica
YUKOS	01/05/05	Senior Implied Issuer	Moody's	Ca	Caa2	Oil Comp-Integrated
Mueller Group Inc	01/05/05	Senior Secured Debt	Moody's	B3 *	B3	Metal Processors&Fabrica
Mueller Group Inc	01/05/05	Senior Subordinate	Moody's	Caa1 *	Caa1	Metal Processors&Fabrica
UGS Corp	01/05/05	Senior Subordinate	Moody's	B3 *	B3	Special Purpose Entity
Rayovac Corp	01/04/05	LT Local Issuer Credit	S&P	B+ *	B+	Batteries/Battery Sys
United Industries Corp	01/04/05	LT Local Issuer Credit	S&P	B+ *	B+	Agricultural Chemicals
Tembec Industries Inc	01/04/05	Senior Implied Issuer	Moody's	B2	Ba3	Forestry
Tembec Industries Inc	01/04/05	Senior Unsecured Debt	Moody's	B2	Ba3	Forestry
Government of Grenada	12/30/04	Local Currency LT Debt	S&P	CCC	B- *	Sovereign
Grenada Government Internationa	12/30/04	Local Currency LT Debt	S&P	CCC	B- *	Sovereign
Government of Grenada T-Bill	12/30/04	LT Local Issuer Credit	S&P	CCC	B- *	Sovereign
Guarantee Security Life Ins.	12/30/04	LT Local Issuer Credit	S&P	CCCpi	BBpi	N.A.

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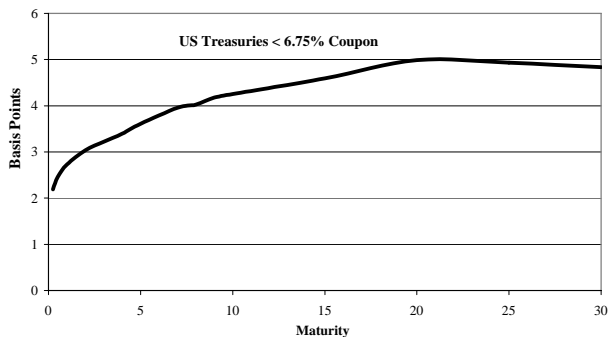
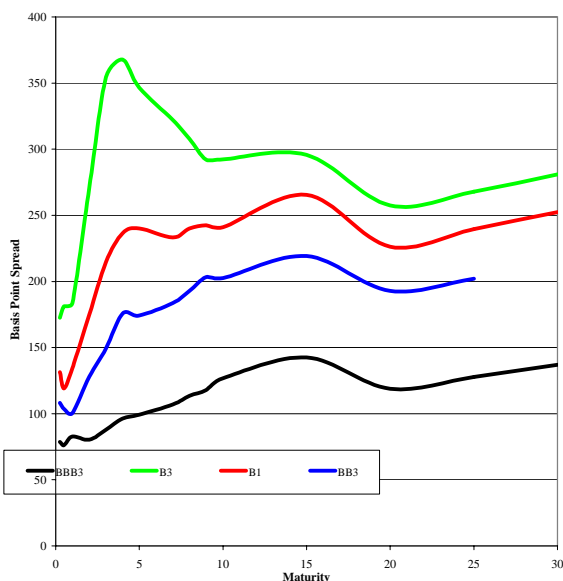
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High Yield Credit Rating Downgrades for Last 2 Weeks (continued)

Company Name	Date	Rating Type	Agency	Current	Last	Industry
Guarantee Trust Life Insurance	12/30/04	LT Local Issuer Credit	S&P	CCCpi	BBBpi	N.A.
Associated Industries Ins.	12/29/04	LT Local Issuer Credit	S&P	CCCpi	Bpi	N.A.
Aurora National Life Assurance	12/29/04	LT Local Issuer Credit	S&P	BBpi	BBBpi	N.A.
Belden & Blake Corp	12/28/04	Bank Loan Debt	Moody's	B2 *-	B2	Oil Comp-Explor&Prodtn
Best Meridian Insurance Co	12/28/04	LT Local Issuer Credit	S&P	BB+	BBB-	N.A.
EaglePicher Inc	12/28/04	LT Local Issuer Credit	S&P	B+ *-	B+	Auto/Trk Prts&Equip-Orig
YUKOS	12/28/04	LT Local Issuer Credit	S&P	D	CC *-	Oil Comp-Integrated
Belden & Blake Corp	12/28/04	Senior Implied Issuer	Moody's	B3 *-	B3	Oil Comp-Explor&Prodtn
Belden & Blake Corp	12/28/04	Senior Secured Debt	Moody's	B3 *-	B3	Oil Comp-Explor&Prodtn
Belden & Blake Corp	12/28/04	Senior Subordinate	Moody's	Caa2 *-	Caa2	Oil Comp-Explor&Prodtn
Houghton Mifflin Co	12/23/04	Bank Loan Debt	Moody's	B1	Ba3	Publishing-Books
Magnitogorsk Iron & Steel	12/23/04	LT Local Issuer Credit	S&P	BB- *-	BB-	Metal-Iron
Masonite International Corp	12/23/04	LT Local Issuer Credit	S&P	BB+ *-	BB+	Bldg Prod-Doors&Windows
Carmeuse Lime BV	12/23/04	Senior Implied Issuer	Moody's	Ba3 *-	Ba3	Bldg Prod-Cement/Aggreg
Dura Automotive Systems Inc	12/23/04	Senior Implied Issuer	Moody's	B1	Ba3	Auto/Trk Prts&Equip-Orig
Carmeuse Lime BV	12/23/04	Senior Secured Debt	Moody's	Ba3 *-	Ba3	Bldg Prod-Cement/Aggreg
Dura Operating Corp	12/23/04	Senior Subordinate	Moody's	B3	B2	Auto/Trk Prts&Equip-Orig
Dura Operating Corp	12/23/04	Senior Unsecured Debt	Moody's	B2	B1	Auto/Trk Prts&Equip-Orig
HM Publishing Corp	12/23/04	Senior Unsecured Debt	Moody's	Caa2	Caa1	Publishing-Books
Houghton Mifflin Co	12/23/04	Senior Unsecured Debt	Moody's	B3	B2	Publishing-Books
Houghton Mifflin Co	12/23/04	Subordinated Debt	Moody's	Caa1	B3	Publishing-Books

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	(39)	(110)	(132)	(172)
B1	(14)	(25)	(75)	(69)
BB3	(16)	(43)	(70)	(72)
BBB3	(2)	(10)	(17)	(27)

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Resources. Experience. Results.

Chanin Capital Partners was founded in 1984 to provide companies and their stakeholders with sophisticated financial advisory services and skillful execution. Our bankers are backed by an independent institution whose services and culture are geared toward *total client satisfaction*. During the last twenty years, we have advised on more than 300 restructurings and recapitalizations having a value in excess of \$134 billion in aggregate liabilities; M&A mandates having a transaction value of more than \$27 billion; and hundreds of valuation reports and fairness & solvency opinions.


Select recent Restructuring transactions



Financial Advisor to the Official Committee of Unsecured Creditors of Atlantic Express Transportation Corp. in its Chapter 11 restructuring of approximately \$250 million in liabilities



Financial Advisor to the Official Committee of Unsecured Creditors of Cable & Wireless USA, Inc., in its Chapter 11 restructuring of approximately \$5 billion in aggregate liabilities



Financial Advisor to the Official Committee of Unsecured Creditors in its Chapter 11 restructuring of more than \$425 million in principal amount of debt



Financial Advisor to the Official Committee of Unsecured Creditors of Touch America Holdings, Inc., in its Chapter 11 restructuring of approximately \$550 million in aggregate liabilities

Select recent Mergers and Acquisitions transactions




Financial Advisor to Americas Software Corporation in connection with its sale to Experian Information Solutions, Inc.



Financial Advisor to the Company in connection with its sale to affiliates of Wafra Partners, Brown Brothers Harriman & Co., and management




Financial Advisor to BMC Industries, Inc., in connection with the sale of Vision-Ease Lens, a subsidiary to Insight Equity



Financial Advisor to Magnatrx Corporation in connection with the sale of its Windsor Door subsidiary to Desco Capital Partners


Select recent Fairness and Solvency Opinion transactions




Rendered a valuation report to the Board of Directors



Rendered fairness opinions to the Board of Directors of Diamond Holdings Ltd and to the sole managing member of NTL (Triangle) LLC



Rendered a solvency opinion to Regency Acquisition LLC, an entity formed by Hicks, Muse, Tate & Furst Incorporated, in connection with the acquisition of Regency Gas Services LLC



Rendered a fairness opinion to Superstar/Netlink Group LLC in connection with the sale by Gemstar-TV Guide International, Inc., of substantially all of Superstar/Netlink Group LLC's assets to EchoStar Communications Corp.

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