

HIGH YIELD & DISTRESSED MARKET REVIEW

Issue 11

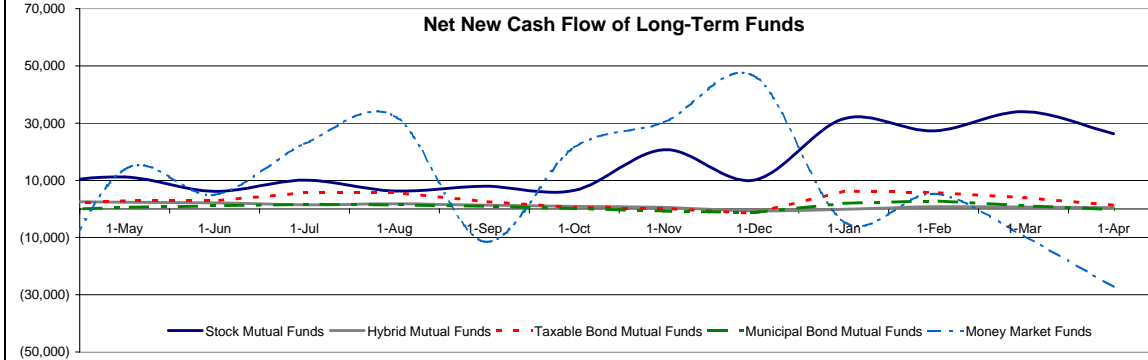
Week ending June 2, 2006

Key Market Indicators

	June 2, 2006		2 Week	2 Week	2 Week	2 Week	YTD	YTD
	Open	Close	High	Low	Change	Change %	Change	Change %
DJIA	11,260.28	11,247.87	11,278.61	11,094.43	103.81	0.93%	530.37	5.03%
Nasdaq	2,219.86	2,219.41	2,219.86	2,158.76	25.53	1.16%	14.09	0.64%
S&P 500	1,285.71	1,288.22	1,288.22	1,256.58	21.19	1.67%	39.93	3.20%
Russell 2000	736.50	737.45	737.45	711.04	14.91	2.06%	64.23	9.54%
OEX Volatility Index	14.52	14.32	18.66	14.26	(2.86)	(16.65%)	2.25	18.64%
Prime Rate	8.00%							
LIBOR	1 month	3 months	6 months	1 Year				
	5.13%	5.27%	5.39%	5.51%				

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

	Apr-06	Mar-06	Feb-06	Jan-06	Dec-05	Nov-05	Oct-05	YTD 2006
Stock Mutual Funds	\$26,281	\$34,040	\$27,325	\$31,791	\$10,098	\$20,707	\$6,454	\$119,596
Hybrid Mutual Funds	\$404	\$634	\$761	(\$107)	(\$698)	\$516	\$928	\$1,669
Taxable Bond Funds	\$1,341	\$3,984	\$5,850	\$6,076	(\$1,507)	\$200	\$503	\$17,462
Municipal Bond Funds	(\$249)	\$1,224	\$2,860	\$2,061	(\$1,205)	(\$722)	\$243	\$5,903
Money Market Funds	(\$27,133)	(\$9,420)	\$5,408	(\$3,945)	\$46,557	\$30,263	\$21,506	(\$34,626)



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

Index	Apr-06 Level	Mar-06 Level	Feb-06 Level	Jan-06 Level	Dec-05 Level	YTD Return
Altman-NYU Defaulted Bank Loans Index	194.4	190.4	189.3	187.5	184.0	5.70%
Altman-NYU Defaulted Public Bonds Index	161.2	154.8	145.7	145.7	140.0	14.47%
Combined Bank Loan-Public Bond Index	187.4	181.4	174.8	173.9	169.3	10.62%
S&P 500 (Dividends Reinvested)	232.0	232.0	232.0	232.0	226.0	5.61%
Citigroup High Yield Index	211.2	208.4	205.9	205.3	202.1	3.38%

Distressed News

Story Description	Size (\$mil)	Date	Source
Northwest Air Asks Judge To Approve \$358 Million Cost-Cutting Pact With Pilots	\$358.0	6/2/2006	DBR
Adelphia Gets Court Approval For \$1.9 Million Stock Sale	\$1.9	6/2/2006	DBR
Dana Seeks Court Approval To Dissolve Mexican Joint Venture	n/a	6/2/2006	DBR
Pilots At Delta Endorse Union Pact To Slash Labor Costs By \$280 Million	\$280.0	6/1/2006	DBR
Mirant To Pay \$520 Million In Potomac Electric Settlement	\$520.0	6/1/2006	DBR
Delphi Seeks Approval For Sale of Assets To Johnson Controls	\$1.7	6/1/2006	DBR

M&A Announced Transactions

Target	Date	Acquirer	Value (\$mil)	Industry
Watkins Motor Lines Inc	5/26/2006	FEDEX Corp	\$780.0	Transportation and Shipping (except air)
AmSouth Bancorp,Alabama	5/25/2006	Regions Financial Corp	\$10,020.8	Commercial Banks, Bank Holding Companies
Stone Energy Corp	5/25/2006	Energy Partners Ltd	\$2,004.0	Oil and Gas; Petroleum Refining
Rexnord Corp	5/25/2006	Apollo Management LP	\$1,825.0	Machinery
Aames Investment Corp	5/25/2006	Accredited Home Lenders Hldg	\$334.0	Investment & Commodity Firms,Dealers,Exchanges
Bertelsmann Bldg-Certain Asts	5/25/2006	Vornado Realty Trust	\$260.0	Real Estate; Mortgage Bankers and Brokers
AMPORTS Inc	5/25/2006	Lincolnshire Equity Fund III	\$107.8	Transportation and Shipping (except air)
NES Rentals Holdings Inc	5/24/2006	Diamond Castle Holdings LLC	\$356.8	Business Services
Siebe Control Systems	5/24/2006	Schneider Electric SA	\$296.0	Measuring, Medical, Photo Equipment; Clocks
Crestview Aerospace Corp	5/24/2006	L-3 Communications Hldg Inc	\$135.0	Aerospace and Aircraft
BP Oil Pipeline Co-Certain	5/24/2006	Plains Pipeline LP	\$133.5	Oil and Gas; Petroleum Refining
PB Financial Services Corp	5/24/2006	Alabama Natl BanCorp,AL	\$124.6	Commercial Banks, Bank Holding Companies

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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 & DISTRESSED MARKET REVIEW

Issue 11

Week ending June 2, 2006

M&A Announced Transactions (Continued)

Target	Date	Acquirer	Value (\$mil)	Industry
Marriott Crystal Gateway	5/24/2006	Ashford Hospitality Trust Inc	\$107.0	Hotels and Casinos
McClatchy Co-Newspapers(2)	5/23/2006	Investor Group	\$562.0	Printing, Publishing, and Allied Services
Fargo Electronics Inc	5/23/2006	Assa Abloy AB	\$337.4	Computer and Office Equipment
American Sanitary Inc	5/23/2006	Interline Brands Inc	\$127.5	Wholesale Trade-Durable Goods
Paramount Parks	5/22/2006	Cedar Fair LP	\$1,240.0	Amusement and Recreation Services
Westin Kierland Resort & Spa	5/22/2006	Host Hotels & Resorts Inc	\$528.0	Hotels and Casinos
Jameson Inns Inc	5/22/2006	JER Partners	\$373.9	Hotels and Casinos
Dynegy Inc-825 Megawatt Power	5/22/2006	Duke Energy Corp	\$195.0	Electric, Gas, and Water Distribution
Interspace Services Inc	5/22/2006	Clear Channel Outdoor Holdings	\$187.2	Business Services
BWC Finl Corp,Walnut Creek,CA	5/22/2006	First Republic Bank,California	\$176.8	Commercial Banks, Bank Holding Companies
Loehmanns Holdings Inc	5/20/2006	Istithmar	\$300.0	Retail Trade-General Merchandise and Apparel
Casino Queen Inc	5/19/2006	Columbia Sussex Corp	\$200.0	Hotels and Casinos
Boykin Lodging Co	5/19/2006	Braveheart Holdings LP	\$196.0	Investment & Commodity Firms,Dealers,Exchanges
Focus Diagnostics Inc	5/19/2006	Quest Diagnostics Inc	\$185.0	Drugs
Avon Rubber PLC-Automotive	5/19/2006	Investor Group	\$127.0	Chemicals and Allied Products
Embassy Suites Hotels	5/18/2006	Sunstone Hotel Investors Inc	\$100.0	Hotels and Casinos
Pitney Bowes Inc-Capital	5/17/2006	Cerberus Capital Management LP	\$745.0	Credit Institutions
Auriga Laboratories Inc	5/17/2006	Multi-Link Telecommunications	\$232.6	Drugs
GeoTrust Inc	5/17/2006	VeriSign Inc	\$125.0	Prepackaged Software
NCO Group Inc	5/16/2006	Investor Group	\$1,011.7	Business Services
Progress Rail Services Corp	5/16/2006	Caterpillar Inc	\$1,000.0	Wholesale Trade-Durable Goods
Community Bancorp Inc	5/16/2006	First Community Bancorp Inc	\$277.0	Commercial Banks, Bank Holding Companies
IDT Entertainment Inc	5/16/2006	Liberty Media Corp	\$186.0	Motion Picture Production and Distribution
Sands Regent	5/16/2006	Herbst Gaming Inc	\$114.5	Hotels and Casinos
FiberTower Corp	5/15/2006	First Avenue Networks Inc	\$711.9	Telecommunications
OnFiber Communications Inc	5/15/2006	Qwest Commun Intl Inc	\$107.0	Telecommunications
Undisclosed Office Buildings	5/15/2006	Kennedy Wilson Fund Mgmt Group	\$100.0	Real Estate; Mortgage Bankers and Brokers
SSA Global Technologies Inc	5/14/2006	Infor Global Solutions	\$1,533.4	Business Services

High Yield Credit Rating Upgrades for Last 2 Weeks

Company Name	Date	Rating Type	Agency	Current	Last	Industry
USG Corp	6/1/2006	LT Local Issuer Credit	S&P	D	NR	Bldg&Construct Prod-Misc
Andrew Corp	5/31/2006	LT Local Issuer Credit	S&P	BB +*	BB	Telecommunication Equip
Coastal Natural Gas Co	5/31/2006	LT Local Issuer Credit	S&P	B+	B	Gas-Distribution
El Paso Energy Credit Corp	5/31/2006	LT Local Issuer Credit	S&P	BB-	B+	N.A.
Geo Group Inc/The	5/31/2006	LT Local Issuer Credit	S&P	B+ +*	B+	Private Corrections
Mitsubishi Materials Corp	5/31/2006	LT Local Issuer Credit	S&P	BB	BB-	Non-Ferrous Metals
Neff Corp	5/31/2006	LT Local Issuer Credit	S&P	B+ +*	B+	Rental Auto/Equipment
ANR Pipeline Co	5/30/2006	LT Local Issuer Credit	S&P	B+	B	Pipelines
Colorado Interstate Gas Co	5/30/2006	LT Local Issuer Credit	S&P	B+	B	Gas-Distribution
El Paso Corp	5/30/2006	LT Local Issuer Credit	S&P	B+	B	Pipelines
Southern Natural Gas Co	5/30/2006	LT Local Issuer Credit	S&P	B+	B	Pipelines
Tennessee Gas Pipeline Co	5/30/2006	LT Local Issuer Credit	S&P	B+	B	Pipelines
Elgin National Industries	5/26/2006	LT Local Issuer Credit	S&P	CCC+ +*	CCC+	Diversified Manufact Op
Ineos Vinyls Finance PLC	5/26/2006	LT Local Issuer Credit	S&P	B +*	B	Chemicals-Diversified
Severstal JSC	5/26/2006	LT Local Issuer Credit	S&P	B+ +*	B+	Steel-Producers
LifeCare Holdings Inc	5/25/2006	LT Local Issuer Credit	S&P	B	B -*	Medical-Hospitals
Nash Finch Co	5/25/2006	LT Local Issuer Credit	S&P	B+	B+ -*	Food/Wholesale/Distrib
Pogo Producing Co	5/25/2006	LT Local Issuer Credit	S&P	BB	BB -*	Oil Comp-Explor&Prodn
Select Medical Corp	5/25/2006	LT Local Issuer Credit	S&P	B+	B+ -*	Medical-Output/Home Med
Atlantic Mutual Insurance Co	5/24/2006	LT Local Issuer Credit	S&P	B+	B+ -*	Multi-line Insurance
Brand Services Inc	5/24/2006	LT Local Issuer Credit	S&P	B +*	B	Building-Maint&Service
Espirito Santo Centrais Eletricas SA	5/24/2006	LT Local Issuer Credit	S&P	BB-	B+	Electric-Integrated
Sealy Corp	5/24/2006	LT Local Issuer Credit	S&P	BB-	B+	Home Furnishings
Foster Wheeler Ltd	5/23/2006	LT Local Issuer Credit	S&P	B+	B -*	Engineering/R&D Services
Samsonite Corp	5/23/2006	LT Local Issuer Credit	S&P	BB-	B+	Miscellaneous Manufactur
Sanyo Electric Co Ltd	5/23/2006	LT Local Issuer Credit	S&P	BB	BB -*	Electric Products-Misc
Pinnacle Entertainment Inc	5/22/2006	LT Local Issuer Credit	S&P	B+ +*	B+ -*	Gambling (Non-Hotel)
Banco Bradesco SA	5/19/2006	LT Local Issuer Credit	S&P	BB+	BBpi	Commer Banks Non-US
Seneca Gaming Corp	5/19/2006	LT Local Issuer Credit	S&P	BB	BB-	Gambling (Non-Hotel)
Banco Itau Holding Financeira SA	5/18/2006	LT Local Issuer Credit	S&P	BB+	BB	Commer Banks Non-US
National Beef Packing Co LLC	5/18/2006	LT Local Issuer Credit	S&P	B+	B+ -*	Food-Meat Products
Usinas Siderurgicas de Minas Gerais SA	5/18/2006	LT Local Issuer Credit	S&P	BB+	BB +*	Steel-Producers
New York Water Service Corp	5/16/2006	LT Local Issuer Credit	S&P	BB +*	BB	N.A.
Equitable Life Assurance Society U.K.	5/15/2006	LT Local Issuer Credit	S&P	BB	B+	Life/Health Insurance
Evrax Group SA	5/15/2006	LT Local Issuer Credit	S&P	BB-	B+	Steel-Producers
Gerdau Ameristeel Corp	5/15/2006	LT Local Issuer Credit	S&P	BB	BB-	Steel-Producers

High Yield Credit Rating Downgrades for Last 2 Weeks

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Pogo Producing Co	5/25/2006	LT Local Issuer Credit	S&P	BB	BB -*	Oil Comp-Explor&Prodn
Select Medical Corp	5/25/2006	LT Local Issuer Credit	S&P	B+	B+ -*	Medical-Output/Home Med
Atlantic Mutual Insurance Co	5/24/2006	LT Local Issuer Credit	S&P	B+	B+ -*	Multi-line Insurance
Brand Services Inc	5/24/2006	LT Local Issuer Credit	S&P	B +*	B	Building-Maint&Service
Espirito Santo Centrais Eletricas SA	5/24/2006	LT Local Issuer Credit	S&P	BB-	B+	Electric-Integrated

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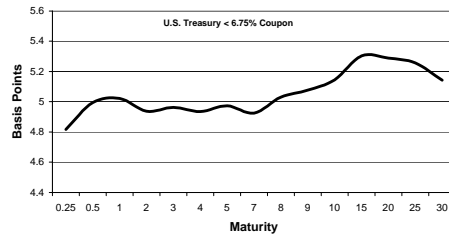
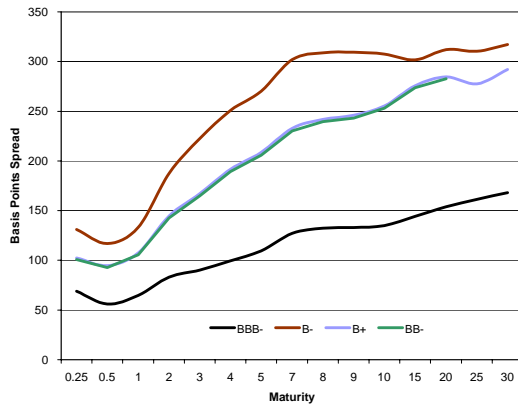
Week ending June 2, 2006

High Yield Credit Rating Downgrades for Last 2 Weeks

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Samsonite Corp	5/23/2006	LT Local Issuer Credit	S&P	BB-	B+	Miscellaneous Manufactur
Sanyo Electric Co Ltd	5/23/2006	LT Local Issuer Credit	S&P	BB	BB *	Electric Products-Misc
Pinnacle Entertainment Inc	5/22/2006	LT Local Issuer Credit	S&P	B+ *	B+ *	Gambling (Non-Hotel)
Banco Bradesco SA	5/19/2006	LT Local Issuer Credit	S&P	BB+	BBpi	Commer Banks Non-US
Seneca Gaming Corp	5/19/2006	LT Local Issuer Credit	S&P	BB	BB-	Gambling (Non-Hotel)
Banco Itau Holding Financeira SA	5/18/2006	LT Local Issuer Credit	S&P	BB+	BB	Commer Banks Non-US
National Beef Packing Co LLC	5/18/2006	LT Local Issuer Credit	S&P	B+	B+ *	Food-Meat Products
Usinas Siderurgicas de Minas Gerais SA	5/18/2006	LT Local Issuer Credit	S&P	BB+	BB *	Steel-Producers
New York Water Service Corp	5/16/2006	LT Local Issuer Credit	S&P	BB *	BB	N.A.
Equitable Life Assurance Society U.K.	5/15/2006	LT Local Issuer Credit	S&P	BB	B+	Life/Health Insurance
Evrz Group SA	5/15/2006	LT Local Issuer Credit	S&P	BB-	B+	Steel-Producers
Gerdau Ameristeel Corp	5/15/2006	LT Local Issuer Credit	S&P	BB	BB-	Steel-Producers

Spread Analysis

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
B-	(4)	(10)	(56)	(123)
B+	(20)	(16)	(36)	(82)
BB-	(17)	35	(13)	(2)
BBB-	(9)	4	11	20

**Resources.
Experience.
Results.**

Chanin is a distinguished leader in providing advisory services to companies, creditors and stakeholders in financially distressed situations. Chanin's bankers are instrumental in engineering creative solutions for complex Chapter 11 proceedings and out-of-court situations that include recapitalizations, alternative financings, exchange offers and consent solicitations. Chanin bankers structure each transaction with the most favorable financial terms — then add value beyond the numbers.

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Detroit
London
Los Angeles
New York



April 2006

Chapter 11 Reorganization
\$165 million

Financial Advisor to the Official Committee of Unsecured Creditors

March 2006

Chapter 11 Reorganization
\$390 million

Financial Advisor to the Official Committee of Unsecured Creditors

March 2006

CCAA Reorganization
C\$3.1 billion

Financial Advisor to the Informal Committee of Senior Debentureholders

February 2006

Chapter 11 Reorganization
\$350 million

Financial Advisor to the Official Committee of Equity Security Holders of Footstar, Inc. in connection with its restructuring of \$350 million in aggregate liabilities and reinstatement of its equity security interests

January 2006

Section 363 Asset Sale

Financial Advisor to Arlington Hospitality in connection with the sale of substantially all its assets to Sunburst Hospitality

January 2006

Chapter 11 Reorganization
\$1.2 billion

Financial Advisor to the Mirant Mid-Atlantic Pass Through Certificate Holders