

# HIGH YIELD & DISTRESSED MARKET REVIEW

Issue 20

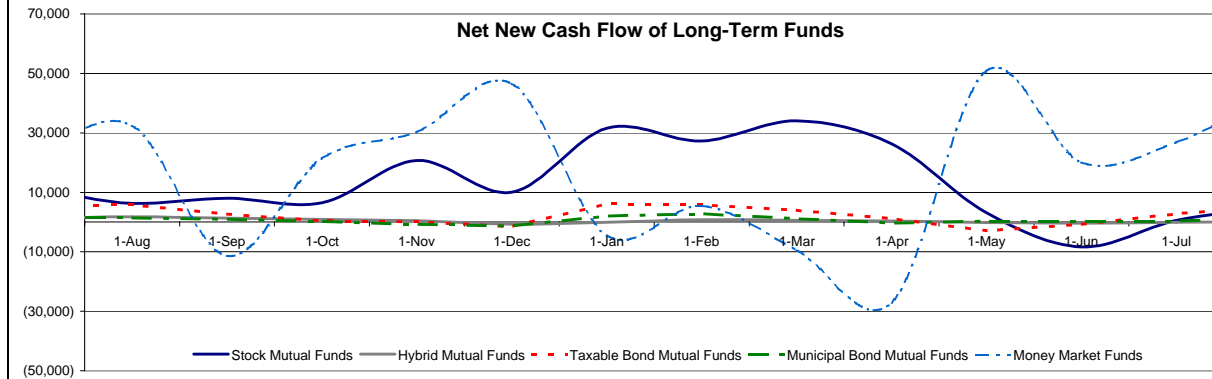
Week ending October 6, 2006

## Key Market Indicators

	October 6, 2006		2 Week	2 Week	2 Week	2 Week	YTD	YTD
	Open	Close	High	Low	Change	Change %	Change	Change %
DJIA	11,866.69	11,850.21	11,866.69	11,575.81	342.11	2.97%	1,132.71	10.98%
Nasdaq	2,306.34	2,299.99	2,306.34	2,237.60	81.06	3.65%	94.67	4.29%
S&P 500	1,353.22	1,349.58	1,353.22	1,326.37	34.80	2.65%	101.29	8.11%
Russell 2000	743.08	739.81	743.08	718.35	21.18	2.95%	66.59	9.89%
OEX Volatility Index	11.98	11.56	12.57	11.53	(1.03)	(8.18%)	(0.51)	(4.23%)
Prime Rate	8.25%							
LIBOR			1 month	3 months	6 months	1 Year		
			5.32%	5.37%	5.37%	5.26%		

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

	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	YTD 2006
Stock Mutual Funds	\$4,801	\$585	(\$8,398)	\$3,161	\$26,320	\$34,040	\$27,325	\$118,561
Hybrid Mutual Funds	\$202	(\$87)	(\$438)	(\$155)	\$334	\$634	\$761	\$1,053
Taxable Bond Funds	\$5,231	\$2,860	(\$668)	(\$2,897)	\$1,204	\$3,984	\$5,850	\$22,264
Municipal Bond Funds	\$1,438	\$344	\$323	\$347	(\$267)	\$1,224	\$2,860	\$8,289
Money Market Funds	\$42,709	\$26,836	\$20,055	\$50,836	(\$27,115)	(\$9,420)	\$5,408	\$104,569



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

Index	Sep-06 Level	Aug-06 Level	Jul-06 Level	Jun-06 Level	May-06 Level	Apr-06 Level	YTD Return
Altman-NYU Defaulted Bank Loans Index	189.3	191.1	195.1	194.0	194.7	194.4	2.90%
Altman-NYU Defaulted Public Bonds Index	164.9	164.3	163.5	163.6	166.6	161.2	17.07%
Combined Bank Loan-Public Bond Index	187.7	188.1	188.9	188.8	190.9	187.4	10.98%
S&P 500 (Dividends Reinvested)	245.3	239.2	233.6	232.0	232.0	232.0	8.53%
Citigroup High Yield Index	216.6	213.7	210.2	203.8	206.0	211.2	7.17%

## Distressed News

Story Description	Size (\$mil)	Date	Source
Refco Cleared To Use Bawag Funds To Repay Pre-Bankruptcy Lenders	\$300.0	10/6/2006	DBR
Calpine Seeks Court Approval To Pay Fees on \$101 Million Loan	\$101.0	10/6/2006	DBR
Calpine Says It Plans To Sell Its Turbine-Parts Subsidiary	\$43.0	10/6/2006	DBR
Big Creditor Assails Foamex Bid To Extend Chapter 11 Deadline	na	10/5/2006	DBR
Claims Traders Form Committee In Interstate Bakeries Case	na	10/5/2006	DBR
Bondholders Could Gain Leverage From Bearing Point Ruling	na	10/5/2006	DBR

## M&A Announced Transactions

Target	Date	Acquirer	Value (\$mm)	Industry
Global Signal Inc	10/6/2006	Crown Castle International	5,761	Telecommunications
Four Allen Center, Houston, TX	10/5/2006	Brookfield Properties Corp	120	Real Estate; Mortgage Bankers and Brokers
Prairie Financial Corp	10/5/2006	Integra Bank Corp	117	Commercial Banks, Bank Holding Companies
Wachovia Financial Center	10/5/2006	Equity Office Properties Trust	194	Real Estate; Mortgage Bankers and Brokers
American Residential Services	10/3/2006	Investor Group	100	Construction Firms
Baxter Transfusion Therapies	10/3/2006	Texas Pacific Group Inc	540	Measuring, Medical, Photo Equipment; Clocks
Communications Supply Holdings	10/3/2006	WESCO International Inc	525	Investment & Commodity Firms, Dealers, Exchanges
JP Morgan Chase & Co-Comm1	10/3/2006	Real Estate Opportunity Fund	460	Real Estate; Mortgage Bankers and Brokers
Shidler Group-West Coast	10/3/2006	Arizona Land Income Corp	570	Real Estate; Mortgage Bankers and Brokers
Avantair Inc	10/2/2006	Ardent Acquisition Corp	112	Air Transportation and Shipping
Harrah's Entertainment Inc	10/2/2006	Investor Group	15,440	Amusement and Recreation 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.

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### M&A Announced Transactions (Continued)

Target	Date	Acquirer	Value (\$mm)	Industry
Infusystem Inc	10/2/2006	HAPC Inc	140	Measuring, Medical, Photo Equipment; Clocks
Irwin Finl Corp-Conforming Ast	10/2/2006	Investor Group	261	Investment & Commodity Firms,Dealers,Exchanges
Lumigen Inc	10/2/2006	Beckman Coulter Inc	185	Business Services
Metromedia International Group	10/2/2006	Investor Group	480	Telecommunications
Myogen Inc	10/2/2006	Gilead Sciences Inc	2,474	Drugs
PJAX Freight System	10/2/2006	Vitrax Corp Inc	132	Transportation and Shipping (except air)
Avidia Inc	9/29/2006	Amgen Inc	380	Drugs
Things Remembered Inc	9/29/2006	Investor Group	200	Miscellaneous Retail Trade
GATX Corp-Aircraft Leasing	9/28/2006	Macquarie Aircraft Leasing Ltd	1,460	Business Services
Royal & SunAlliance USA	9/28/2006	Arrowpoint Capital Corp	300	Insurance
Talk America Holdings Inc	9/28/2006	Sun Capital Securities LLC	256	Telecommunications
USA Truck Inc	9/28/2006	Liberate Technologies	244	Transportation and Shipping (except air)
Crow Hldgs Realty Partners-Ast	9/27/2006	GE Capital Real Estate	2,200	Investment & Commodity Firms,Dealers,Exchanges
First National Bank & Trust,IN	9/27/2006	Harris NA	290	Commercial Banks, Bank Holding Companies
GE Capital Real Estate-	9/27/2006	Kimco Realty Corp	920	Real Estate; Mortgage Bankers and Brokers
EW Scripps Co-TV Stations	9/26/2006	Multicultural TV Bdcstg LLC	170	Radio and Television Broadcasting Stations
GE Energy Rentals Inc	9/26/2006	Aggreko PLC	212	Business Services
GFA Brands Inc	9/26/2006	Boulder Specialty Brands Inc	465	Food and Kindred Products
Jazz Semiconductor Inc	9/26/2006	Acquicor Technology Inc	260	Electronic and Electrical Equipment
Alcoa Home Exteriors Inc	9/25/2006	Ply-Gem Industries Inc	305	Stone, Clay, Glass, and Concrete Products
Drive Financial Services	9/25/2006	Santander Central Hispano SA	826	Credit Institutions
Educate Inc	9/25/2006	Investor Group	357	Educational Services
Emdeon Corp- Business Service	9/25/2006	General Atlantic LLC	1,200	Prepackaged Software
Maritrans Inc	9/25/2006	Overseas Shipholding Group Inc	458	Transportation and Shipping (except air)
Reeves Brothers Inc	9/25/2006	Trelleborg Engineered Systems	179	Textile and Apparel Products
Severn Trent Laboratories Inc	9/25/2006	TestAmerica Inc	161	Business Services

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

Company Name	Date	Rating Type	Agency	Current	Last	Industry
Michaels Stores Inc	10/6/2006	LT Local Issuer Credit	S&P	B-	NR	Retail-Arts&Crafts
Armstrong World Industries Inc	10/5/2006	LT Local Issuer Credit	S&P	BB	D	Bldg&Construct Prod-Misc
Dayton Superior Corp/Old	10/5/2006	LT Local Issuer Credit	S&P	CCC+ *+	CCC+	Bldg&Construct Prod-Misc
PharmaNet Development Group Inc	10/5/2006	LT Local Issuer Credit	S&P	B+	B+ *	Research&Development
Advanced Micro Devices Inc	10/4/2006	LT Local Issuer Credit	S&P	B+	B+ *	Electronic Compo-Semicon
Call-Net Enterprises Inc	10/4/2006	LT Local Issuer Credit	S&P	BB+	BB	Telecom Services
Complete Production Services Inc	10/4/2006	LT Local Issuer Credit	S&P	B+	B	Oil Field Mach&Equip
Dollar Financial Group Inc	10/4/2006	LT Local Issuer Credit	S&P	BB-	B+	Commercial Serv-Finance
Rogers Cable Inc	10/4/2006	LT Local Issuer Credit	S&P	BB+	BB	Cable TV
Rogers Wireless Inc	10/4/2006	LT Local Issuer Credit	S&P	BB+	BB	Cellular Telecom
Rosbank	10/3/2006	LT Local Issuer Credit	S&P	B+	B *	Commer Banks Non-US
Argentina Bocon	10/2/2006	Local Currency LT Debt	S&P	B+	B	Sovereign
City of Buenos Aires	10/2/2006	LT Local Issuer Credit	S&P	B+	B	Municipal-City
Encore Medical Corp	10/2/2006	LT Local Issuer Credit	S&P	B	B *	Medical Products
Magnitogorsk Iron & Steel Works OJSC	10/2/2006	LT Local Issuer Credit	S&P	BB	BB-	Metal-Iron
Mendoza Province Of	10/2/2006	LT Local Issuer Credit	S&P	B+	B	Diversified Finan Serv
Banca Popolare di Intra Scrl	9/29/2006	LT Local Issuer Credit	S&P	BB *	BB *	Cooperative Banks
Bare Escentuals Inc	9/29/2006	LT Local Issuer Credit	S&P	B- *	B-	Cosmetics&Toiletries
Edison Mission Energy	9/29/2006	LT Local Issuer Credit	S&P	BB-	B+	Electric-Generation
Huntsman Corp	9/29/2006	LT Local Issuer Credit	S&P	BB- *	BB- *	Chemicals-Diversified
Midwest Generation LLC	9/29/2006	LT Local Issuer Credit	S&P	BB-	B+	Electric-Generation
Sojitz Corp	9/29/2006	LT Local Issuer Credit	S&P	BB *	BB- *	Import/Export
SP Newsprint Co	9/29/2006	LT Local Issuer Credit	S&P	BB-	B+	Inactive/Unknown
Administracion Nacional de Combustibles /	9/28/2006	LT Local Issuer Credit	S&P	B+	B	Oil Comp-Integrated
Armstrong World Industries Inc	9/28/2006	LT Local Issuer Credit	S&P	D	NR	Bldg&Construct Prod-Misc
Banco Bilbao Vizcaya Argentaria Uruguay	9/28/2006	LT Local Issuer Credit	S&P	B+	B	N.A.
Banco Central del Uruguay	9/28/2006	Local Currency LT Debt	S&P	B+	B	Sovereign
Citibank NA/Uruguay	9/28/2006	LT Local Issuer Credit	S&P	B+	B	N.A.
Discount Bank	9/28/2006	LT Local Issuer Credit	S&P	B+	B	N.A.
Oriental Republic of Uruguay	9/28/2006	Local Currency LT Debt	S&P	B+	B	Sovereign
Uruguay Government Bond	9/28/2006	Local Currency LT Debt	S&P	B+	B	Sovereign
Krasnodar Region	9/27/2006	LT Local Issuer Credit	S&P	BB-	B+	Municipal-County
Mitsubishi Motors Corp	9/27/2006	LT Local Issuer Credit	S&P	B-	CCC+	Auto-Cars/Light Trucks
North-West Telecom	9/27/2006	LT Local Issuer Credit	S&P	BB-	B+	Telephone-Integrated
VolgaTelecom	9/27/2006	LT Local Issuer Credit	S&P	BB-	B+	Telecom Services
Warner Chilcott Corp	9/27/2006	LT Local Issuer Credit	S&P	B+	B *	Medical-Drugs
G Steel PCL	9/26/2006	LT Local Issuer Credit	S&P	B+	B+ *	Steel-Specialty
PLIANT CORP	9/26/2006	LT Local Issuer Credit	S&P	B-	NR	Containers-Paper/Plastic
Nyco Holdings 2 APS	9/25/2006	LT Local Issuer Credit	S&P	B+ *	B	Medical-Generic Drugs
Eletrapolulo Metropolitana de Sao Paulo S/	9/22/2006	LT Local Issuer Credit	S&P	B+ *	B+	Electric-Distribution
Nevada Power Co	9/22/2006	LT Local Issuer Credit	S&P	BB-	B+	Electric-Integrated
Sierra Pacific Power Capital I	9/22/2006	LT Local Issuer Credit	S&P	BB-	B+ *	Finance-Other Services
Sierra Pacific Power Co	9/22/2006	LT Local Issuer Credit	S&P	BB-	B+	Electric-Integrated
Cablevision Systems Corp	9/21/2006	LT Local Issuer Credit	S&P	BB	BB *	Cable TV
CSC Holdings Inc	9/21/2006	LT Local Issuer Credit	S&P	BB	BB *	Cable TV
EB Holdings Inc	9/21/2006	LT Local Issuer Credit	S&P	B+	B	Bldg&Construct Prod-Misc
Eco-Bat Technologies Plc	9/21/2006	LT Local Issuer Credit	S&P	B+	B	Bldg&Construct Prod-Misc
Multiplan Inc	9/21/2006	LT Local Issuer Credit	S&P	B+	B+ *	Medical-HMO
Rainbow National Services LLC	9/21/2006	LT Local Issuer Credit	S&P	BB	BB *	Special Purpose Entity

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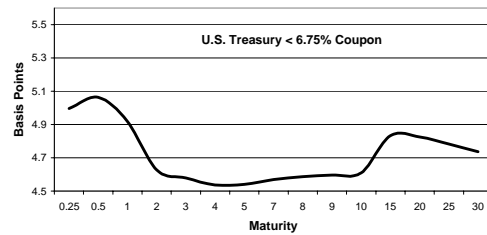
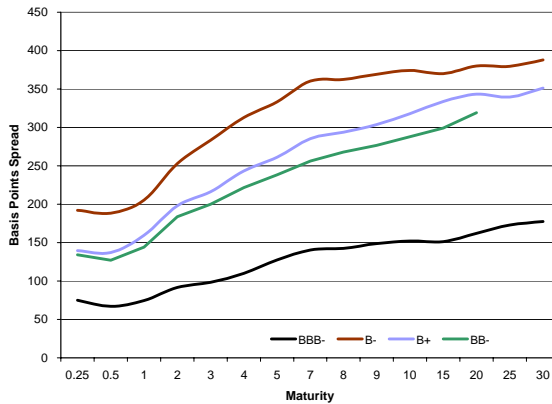
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### High Yield Credit Rating Downgrades for Last 2 Weeks

Company Name	Date	Rating Type	Agency	Current	Last	Industry
Cinemark Inc	10/6/2006	LT Local Issuer Credit	S&P	B	B+ *	Theaters
Directed Electronics Inc	10/6/2006	LT Local Issuer Credit	S&P	B+	BB- *	Distribution/Wholesale
Gerresheimer Holdings GmbH	10/6/2006	LT Local Issuer Credit	S&P	B+ *	B+	Containers-Metal/Glass
Intertape Polymer Group Inc	10/4/2006	LT Local Issuer Credit	S&P	B+ *	B+	Containers-Paper/Plastic
Isle of Capri Casinos Inc	10/4/2006	LT Local Issuer Credit	S&P	BB- *	BB-	Gambling (Non-Hotel)
Ply Gem Industries Inc	10/4/2006	LT Local Issuer Credit	S&P	B	B+ *	Bldg&Construct Prod-Misc
Shaw Group Inc/The	10/4/2006	LT Local Issuer Credit	S&P	BB *	BB	Engineering/R&D Services
Harrah's Entertainment Inc	10/2/2006	LT Local Issuer Credit	S&P	BB+ *	BBB-	Casino Hotels
Affiliated Computer Services Inc	9/29/2006	LT Local Issuer Credit	S&P	B+ *	BB *	Computer Services
CRC Health Corp	9/29/2006	LT Local Issuer Credit	S&P	B *	B	Medical-Outptnt/Home Med
InSight Health Services Corp	9/29/2006	LT Local Issuer Credit	S&P	B-	B	MRI/Medical Diag Imaging
Telcordia Technologies Inc	9/29/2006	LT Local Issuer Credit	S&P	B+ *	B+	Telecom Services
Gulfbank Offshore Inc	9/28/2006	LT Local Issuer Credit	S&P	B+	BB-	Transport-Marine
Quebecor World Inc	9/28/2006	LT Local Issuer Credit	S&P	B+ *	BB-	Printing-Commercial
ArvinMeritor Inc	9/26/2006	LT Local Issuer Credit	S&P	BB *	BB	Auto/Trk Prts&Equip-Orig
Chiquita Brands International Inc	9/26/2006	LT Local Issuer Credit	S&P	B+ *	B+	Food-Misc/Diversified
Educate Inc	9/26/2006	LT Local Issuer Credit	S&P	B+ *	B+	Schools
Petco Animal Supplies Inc	9/26/2006	LT Local Issuer Credit	S&P	B	BB *	Retail-Pet Food&Supplies
Reynolds & Reynolds Co/The	9/26/2006	LT Local Issuer Credit	S&P	B+	BBB *	Computer Services
Ply Gem Industries Inc	9/25/2006	LT Local Issuer Credit	S&P	B+ *	B+	Bldg&Construct Prod-Misc
Pure Fishing Inc	9/25/2006	LT Local Issuer Credit	S&P	B	B+	Retail-Sporting Goods
Revlon Consumer Products Corp	9/25/2006	LT Local Issuer Credit	S&P	CCC+	B-	Cosmetics&Toiletries
Berry Plastics Holding Corp	9/22/2006	LT Local Issuer Credit	S&P	B	B+	Containers-Paper/Plastic
Brake Bros Finance PLC	9/22/2006	LT Local Issuer Credit	S&P	B	B+	Food-Wholesale/Distrib
Euramax International Inc	9/22/2006	LT Local Issuer Credit	S&P	B	B+	Steel-Specialty
Tribune Co	9/22/2006	LT Local Issuer Credit	S&P	BB+ *	BBB-	Publishing-Newspapers

### Bond Spread To US Treasury Data



	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-	(2)	24	66	(1)
B+	(1)	33	56	14
BB-	7	23	46	(2)
BBB-	(2)	10	19	25

## Case Study: Section 363 Asset Sale

The Legacy Estate Group, LLC, was a build-up with three highly-acclaimed luxury and ultra-premium wineries:

- Freemark Abbey Winery (Napa)
  - Historic California producer whose wines were chosen to be part of the famous Paris Wine Tasting of 1976*
- Arrowood Vineyards & Winery (Sonoma Valley) (Acquired 03/05)
  - Founded by Alis and Richard Arrowood and previously owned by Robert Mondavi*
- Byron Vineyard & Winery (Santa Maria/Central Coast) (Acquired 03/05)
  - Founded by Ken Brown and previously owned by Robert Mondavi*

Eight months after acquisition of Arrowood and Byron, combined sales were lower than anticipated to cover acquisition debt service. As a result, Legacy decided to pursue a sale of substantially all of its assets.

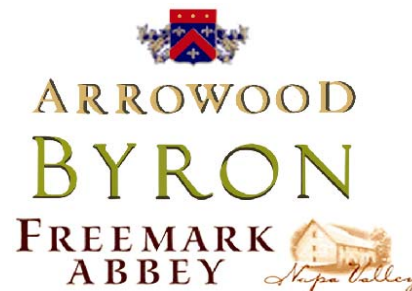
Key transaction issues included:

- Legacy's relationship with and reliance on its sales and marketing partner
- Necessity of a quick close because of marketing and harvest issues
- Numerous creditor issues
- Pressure on sales and financial results during the M&A process

Chanin served as exclusive financial advisor to Legacy and structured and negotiated a successful sale transaction on behalf of Legacy and all parties involved:

- Chanin attracted both strategic and financial bidders from across the globe and ran a highly competitive auction
- Despite numerous obstacles, Chanin was able to achieve a substantial valuation, on a very tight timeframe

September 2006



### Sale of the Company

The Legacy Estate Group, LLC,  
has been acquired by  
Kendall-Jackson Wine Estates, Ltd.

Chanin Capital Partners served as exclusive financial advisor to The Legacy Estate Group, LLC, in connection with the Section 363 sale of substantially all its assets to Kendall-Jackson Wine Estates, Ltd.

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