

# HIGH YIELD & DISTRESSED MARKET REVIEW

Issue 6

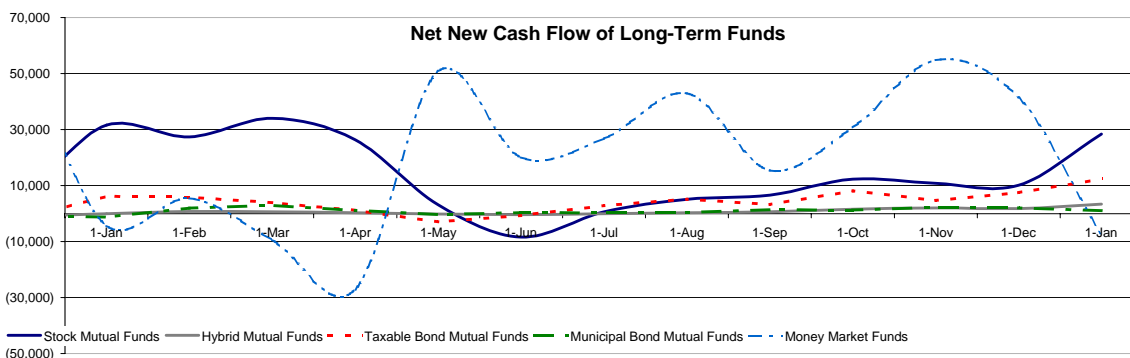
Week ending March 23, 2007

## Key Market Indicators

	March 23, 2007		2 Week	2 Week	2 Week	2 Week	YTD	YTD
	Open	Close	High	Low	Change	Change %	Change	Change %
DJIA	12,461.14	12,481.01	12,481.01	12,075.96	204.69	1.67%	17.86	0.16%
Nasdaq	2,461.74	2,448.93	2,456.92	2,350.57	61.38	2.57%	33.64	1.39%
S&P 500	1,434.54	1,436.11	1,436.11	1,377.95	33.26	2.37%	17.81	1.26%
Russell 2000	808.05	809.51	809.51	769.12	24.39	3.11%	21.85	2.77%
OEX Volatility Index	12.93	12.95	18.13	12.19	(1.14)	(8.09%)	1.39	12.02%
Prime Rate	8.25%							
LIBOR	1 month	3 months	6 months	1 Year				
	5.32%	5.35%	5.32%	5.21%				

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

	Jan-07	Dec-06	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	2007
Stock Mutual Funds	\$28,345	\$10,650	\$10,779	\$12,728	\$6,466	\$5,062	\$585	\$28,345
Hybrid Mutual Funds	\$3,367	\$1,720	\$1,998	\$1,595	\$640	\$236	(\$87)	\$3,367
Taxable Bond Funds	\$12,353	\$7,665	\$4,760	\$8,173	\$3,237	\$5,197	\$2,860	\$12,353
Municipal Bond Funds	\$2,821	\$1,133	\$2,090	\$2,238	\$1,366	\$1,438	\$344	\$2,821
Money Market Funds	(\$7,882)	\$41,531	\$54,826	\$30,833	\$15,472	\$42,867	\$26,836	(\$7,882)



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

Index	Feb-07 Level	Jan-07 Level	Dec-06 Level	Nov-06 Level	Oct-06 Level	Sep-06 Level	YTD Return
Altman-NYU Defaulted Bank Loans Index	192.1	192.4	192.0	190.5	189.3	191.1	0.07%
Altman-NYU Defaulted Public Bonds Index	198.2	197.1	191.0	170.9	164.9	164.3	3.78%
Combined Bank Loan-Public Bond Index	214.1	213.4	208.7	192.5	187.7	188.1	2.60%
S&P 500 (Dividends Reinvested)	260.5	265.7	261.7	253.3	245.3	239.2	(0.47%)
Citigroup High Yield Index	231.4	228.2	226.1	219.7	216.6	213.7	2.34%

## Distressed News

Story Description	Size (\$mil)	Date	Source
Several Hedge Funds Disclose Their Northwest Trading Moves	n/a	3/23/2007	DBR
Grupo Mexico Sees Asarco Pact As 'Sub-Rosa' Chapter 11 Plan	\$94.5	3/23/2007	DBR
Tower Wins Temporary Extension Of Its Chapter 11 Plan Deadline	n/a	3/23/2007	DBR
Illinois Senate Panel Approves ComEd Electric-Rate Freeze	n/a	3/23/2007	DBR
Judge Approves \$37 Million Bonus Package For Delphi Executives	\$37.0	3/23/2007	DBR
McLeodUSA Files IPO To Sell Up To \$172.5 Million In Common Stock	\$172.5	3/23/2007	DBR

## M&A Announced Transactions

Target	Date	Acquirer	Value (\$mm)	Industry
Cay Clubs LLC	3/22/2007	Key Hospitality Acquisition Co	555	Hotels and Casinos
Morphotek Inc	3/22/2007	Eisai Inc	325	Drugs
Paxar Corp	3/22/2007	Avery Dennison Corp	1,266	Printing, Publishing, and Allied Services
Vertrive Inc	3/22/2007	Investor Group	533	Business Services
Affiliated Computer Svcs Inc	3/20/2007	Investor Group	8,658	Business Services
Beverly Hills Portfolio,CA	3/20/2007	Tishman Speyer Office Fund	333	Real Estate, Mortgage Bankers and Brokers
Claire's Stores Inc	3/20/2007	Apollo Management LP	3,091	Retail Trade-General Merchandise and Apparel
Eschelon Telecom Inc	3/20/2007	Integra Telecom Inc	686	Telecommunications
Alliance Imaging Inc	3/19/2007	Investor Group	153	Health Services
Chemcentral Corp	3/19/2007	Brenntag Holding GmbH & Co KG	700	Wholesale Trade-Nondurable Goods
EGL Inc	3/19/2007	Apollo Management LP	1,882	Transportation and Shipping (except air)
InfraSource Services Inc	3/19/2007	Quanta Services Inc	1,260	Construction Firms

## SELECTED SENIOR PROFESSIONALS

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### M&A Announced Transactions (Continued)

Target	Date	Acquirer	Value (\$mm)	Industry
Life Sera Inc	3/19/2007	Undisclosed Acquirer		128 Health Services
Stratos Global Corp	3/19/2007	CIP Canada Investment Inc		576 Telecommunications
TODCO	3/19/2007	Hercules Offshore Inc	2,434	Oil and Gas; Petroleum Refining
Triad Hospitals Inc	3/19/2007	Community Health Systems Inc		6,611 Health Services
ServiceMaster Co	3/18/2007	Investor Group		5,580 Agriculture, Forestry, and Fishing
Undisclosed Residential Mtg	3/16/2007	Newcastle Investment Corp		119 Real Estate; Mortgage Bankers and Brokers
Undisclosed Net Leased RE(18)	3/16/2007	Capital Lease Funding Inc		364 Real Estate; Mortgage Bankers and Brokers
Bare Escentuals Inc	3/15/2007	Investor Group		414 Soaps, Cosmetics, and Personal-Care Products
Undisclosed Communities(12)	3/15/2007	Emeritus Corp		102 Health Services
CBOT Holdings Inc	3/15/2007	IntercontinentalExchange Inc		9,912 Investment & Commodity Firms,Dealers,Exchanges
PHH Corp	3/15/2007	Investor Group		1,728 Business Services
WebEx Communications Inc	3/15/2007	Cisco Systems Inc		3,091 Business Services
Beacon Cap-Office Pty(15)	3/14/2007	Broadway Capital Partners		5,000 Real Estate; Mortgage Bankers and Brokers
1301 Fannin Street,Houston	3/14/2007	Griffin Properties		115 Real Estate; Mortgage Bankers and Brokers
MapInfo Corp	3/14/2007	Pitney Bowes Inc		437 Prepackaged Software
Spirit Finance Corp	3/13/2007	Investor Group		3,551 Investment & Commodity Firms,Dealers,Exchanges
WCI Communities Inc	3/13/2007	Investor Group		923 Construction Firms
Anadarko Petroleum Corp-K2	3/12/2007	Undisclosed Acquirer		1,200 Oil and Gas; Petroleum Refining
Chemcentral Corp	3/12/2007	Univar USA Inc		650 Wholesale Trade-Nondurable Goods
Fremont General Corp-Subprime	3/12/2007	Undisclosed Acquirer		280 Investment & Commodity Firms,Dealers,Exchanges
Progress Ventures-Assets	3/12/2007	ArLight Capital Partners LLC		480 Investment & Commodity Firms,Dealers,Exchanges
Sierra Health Services Inc	3/12/2007	UnitedHealth Group Inc		2,425 Insurance
Copperfield LLC	3/11/2007	Coleman Cable Inc		213 Metal and Metal Products
Dollar General Corp	3/11/2007	Kohlberg Kravis Roberts & Co		7,334 Retail Trade-General Merchandise and Apparel
Baltimore Portfolio Ret Asts	3/9/2007	Federal Realty Investment Tr		189 Real Estate; Mortgage Bankers and Brokers
Fireman's Fund Headquarters,CA	3/9/2007	Undisclosed Acquirer		310 Real Estate; Mortgage Bankers and Brokers
Sunterra Corp	3/9/2007	Diamond Resorts LLC		695 Real Estate; Mortgage Bankers and Brokers
Worth Bancorp Inc,Texas	3/9/2007	BOK Financial Corp,Tulsa,OK		127 Commercial Banks, Bank Holding Companies

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

Company Name	Date	Rating Type	Agency	Current	Last	Industry
Alpha Inc	3/23/2007	LT Local Issuer Credit	S&P	B+	NR	Medical-Generic Drugs
Foster Wheeler Ltd	3/23/2007	LT Local Issuer Credit	S&P	BB	B+	Engineering/R&D Services
SGL Carbon AG	3/23/2007	LT Local Issuer Credit	S&P	BB	BB-	Chemicals-Specialty
Gate Gourmet Borrower LLC	3/22/2007	LT Local Issuer Credit	S&P	B	B- *	Food-Catering
Neiman-Marcus Group Inc	3/22/2007	LT Local Issuer Credit	S&P	B+ *	B+	Retail-Regnl Dept Store
Nuance Communications Inc	3/22/2007	LT Local Issuer Credit	S&P	B+	B	Applications Software
Coleman Cable Inc	3/21/2007	LT Local Issuer Credit	S&P	BB-	B+	Wire&Cable Products
Inverness Medical Innovations Inc	3/21/2007	LT Local Issuer Credit	S&P	B+	B *	Diagnostic Kits
Stratos Global Corp	3/21/2007	LT Local Issuer Credit	S&P	B+	B -	Satellite Telecom
BE Aerospace Inc	3/19/2007	LT Local Issuer Credit	S&P	BB *	BB	Aerospace/Defense-Equip
Coastal Natural Gas Co	3/19/2007	LT Local Issuer Credit	S&P	BB	B+ *	Gas-Distribution
Colorado Interstate Gas Co	3/19/2007	LT Local Issuer Credit	S&P	BB	B+ *	Pipelines
El Paso Corp	3/19/2007	LT Local Issuer Credit	S&P	BB	B+ *	Pipelines
El Paso Natural Gas Co	3/19/2007	LT Local Issuer Credit	S&P	BB	B+ *	Pipelines
El Paso Production Holding Co	3/19/2007	LT Local Issuer Credit	S&P	BB	B+ *	Oil Comp-Explor&Prodrtn
El Paso Tennessee Pipeline Co	3/19/2007	LT Local Issuer Credit	S&P	BB	B+ *	Pipelines
Gerdau SA	3/19/2007	LT Local Issuer Credit	S&P	BB+ *	BB+	Steel-Productors
Hercules Offshore Inc	3/19/2007	LT Local Issuer Credit	S&P	B *	B	Oil-Field Services
Northwest Pipeline Corp	3/19/2007	LT Local Issuer Credit	S&P	BB+	BB-	Pipelines
Quanta Services Inc	3/19/2007	LT Local Issuer Credit	S&P	BB- *	BB-	Commercial Services
Renaissance Capital Holdings Ltd	3/19/2007	LT Local Issuer Credit	S&P	BB-	B+ *	N.A.
Southern Natural Gas Co	3/19/2007	LT Local Issuer Credit	S&P	BB	B+ *	Pipelines
Tennessee Gas Pipeline Co	3/19/2007	LT Local Issuer Credit	S&P	BB	B+ *	Pipelines
Transcontinental Gas Pipe Line Corp	3/19/2007	LT Local Issuer Credit	S&P	BB+	BB-	Pipelines
Williams Cos Inc	3/19/2007	LT Local Issuer Credit	S&P	BB+	BB-	Pipelines
Williams Partners LP	3/19/2007	LT Local Issuer Credit	S&P	BB+	BB-	Pipelines
Euronet Worldwide Inc	3/16/2007	LT Local Issuer Credit	S&P	BB	NR	Commercial Serv-Finance
Furukawa Electric Co Ltd	3/16/2007	LT Local Issuer Credit	S&P	BB	BB-	Wire&Cable Products
Hayes Lemmerz International Inc	3/16/2007	LT Local Issuer Credit	S&P	B- *	B-	Auto/Trk Prts&Equip-Orig
Troika Dialog	3/16/2007	LT Local Issuer Credit	S&P	BB-	B+ *	Diversified Finan Serv
LSI Logic Corp	3/15/2007	LT Local Issuer Credit	S&P	BB- *	BB-	Electronic Compo-Semicon
Smurfit Kappa Funding PLC	3/14/2007	LT Local Issuer Credit	S&P	BB-	B+ *	Specified Purpose Acquis
Smurfit Kappa Group Ltd	3/14/2007	LT Local Issuer Credit	S&P	BB-	B+ *	Paper&Related Products
Advanced Medical Optics Inc	3/13/2007	LT Local Issuer Credit	S&P	BB-	BB- -	Optical Supplies
Ardagh Glass Group Ltd	3/13/2007	LT Local Issuer Credit	S&P	B- *	B-	Containers-Metal/Glass
Ardagh Glass Group PLC	3/13/2007	LT Local Issuer Credit	S&P	B- *	B-	Containers-Metal/Glass
MSX International Inc	3/13/2007	LT Local Issuer Credit	S&P	B-	CCC+	Consulting Services
Great Lakes Dredge & Dock Corp/Old	3/12/2007	LT Local Issuer Credit	S&P	B	CCC+ *	Marine Services
Health Net Inc	3/12/2007	LT Local Issuer Credit	S&P	BB+	BB	Medical-HMO
Sierra Health Services Inc	3/12/2007	LT Local Issuer Credit	S&P	BB+ *	BB+	Medical-HMO

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

Company Name	Date	Rating Type	Agency	Current	Last	Industry
Leiner Health Products Inc	3/23/2007	LT Local Issuer Credit	S&P	B- -	B-	Vitamins&Nutrition Prod
RGIS Inventory Specialists	3/23/2007	LT Local Issuer Credit	S&P	B+ -	B+	Commercial Services
Steinway Musical Instruments	3/23/2007	LT Local Issuer Credit	S&P	B+	BB- -	Music

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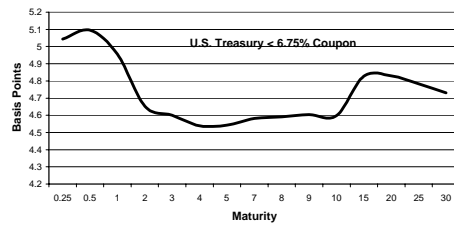
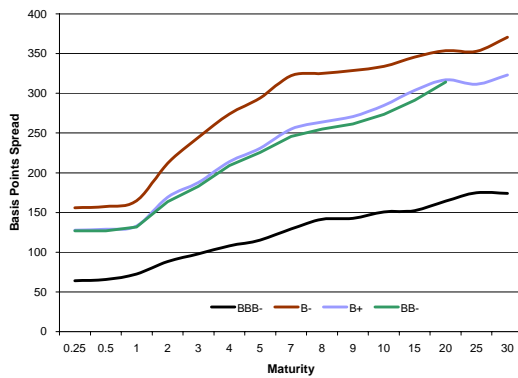
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### High Yield Credit Rating Downgrades for Last 2 Weeks

Company Name	Date	Rating Type	Agency	Current	Last	Industry
Eddie Bauer Holdings Inc	3/22/2007	LT Local Issuer Credit	S&P	B-	B -	Retail-Apparel/Shoe
Piedmont Hawthorne	3/22/2007	LT Local Issuer Credit	S&P	B+ -	B+	Aerospace/Defense
Radio One Inc	3/22/2007	LT Local Issuer Credit	S&P	B+ -	B+	Radio
Vertrue Inc	3/22/2007	LT Local Issuer Credit	S&P	B+ -	B+	Commercial Services
M-real OYJ	3/21/2007	LT Local Issuer Credit	S&P	B	B+	Paper&Related Products
Affiliated Computer Services Inc	3/20/2007	LT Local Issuer Credit	S&P	BB -	BB	Computer Services
Carey International Inc	3/20/2007	LT Local Issuer Credit	S&P	CCC+	B-	Transport-Services
Community Health Systems Inc	3/20/2007	LT Local Issuer Credit	S&P	BB- -	BB-	Medical-Hospitals
Inmarsat Investments Ltd	3/20/2007	LT Local Issuer Credit	S&P	BB -	BB	Specified Purpose Acquis
Citation Corp	3/19/2007	LT Local Issuer Credit	S&P	D	CCC+	Steel-Producers
OMI Corp	3/19/2007	LT Local Issuer Credit	S&P	BB+ -	BB+	Transport-Marine
ServiceMaster Co/The	3/19/2007	LT Local Issuer Credit	S&P	BB+ -	BBB- -	Commercial Services
TUI AG	3/19/2007	LT Local Issuer Credit	S&P	BB -	BB	Travel Services
Landry's Restaurants Inc	3/16/2007	LT Local Issuer Credit	S&P	BB- -	BB-	Retail-Restaurants
Penton Media Inc	3/16/2007	LT Local Issuer Credit	S&P	B -	B	Advertising Services
Poster Financial Group Inc	3/16/2007	LT Local Issuer Credit	S&P	B -	B	Casino Hotels
Prism Business Media Inc	3/16/2007	LT Local Issuer Credit	S&P	B -	B	Multimedia
WCI Communities Inc	3/16/2007	LT Local Issuer Credit	S&P	B+ -	B+	Bldg-Residential/Commer
Energy Partners Ltd	3/13/2007	LT Local Issuer Credit	S&P	B -	B+ *	Oil Comp-Explor&Prodn
Dollar General Corp	3/12/2007	LT Local Issuer Credit	S&P	BB+ -	BBB-	Retail-Discount
New Century Financial Corp	3/12/2007	LT Local Issuer Credit	S&P	D	CC -	REITS-Mortgage
Oreck Corp	3/12/2007	LT Local Issuer Credit	S&P	B -	B+ -	Consumer Products-Misc
Pinnacle Foods Group Inc	3/12/2007	LT Local Issuer Credit	S&P	B-	B+ -	Food-Misc/Diversified
Quiksilver Inc	3/12/2007	LT Local Issuer Credit	S&P	BB -	BB	Apparel Manufacturers
Ainsworth Lumber Co Ltd	3/9/2007	LT Local Issuer Credit	S&P	CCC+	B -	Bldg Prod-Wood
Cunningham Lindsey Group Inc	3/9/2007	LT Local Issuer Credit	S&P	B-	B	Insurance Brokers
Mattress Holding Corp	3/9/2007	LT Local Issuer Credit	S&P	B -	B	Retail-Bedding
New Century Financial Corp	3/9/2007	LT Local Issuer Credit	S&P	CC -	CCC -	REITS-Mortgage
Andrew Corp	3/8/2007	LT Local Issuer Credit	S&P	BB	BB +	Telecommunication Equip

### 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-	(13)	(0)	(40)	(0)
B+	6	17	(32)	8
BB-	23	10	(3)	55
BBB-	8	(9)	(13)	8

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<p>November 2006</p>  <p><b>Chapter 11 Reorganization</b> \$525 million</p> <p>Financial Advisor to the Ad-hoc Committee of 10 1/8% Senior Notes of Satelites Mexicanos SA de CV</p>	<p>October 2006</p>  <p><b>Chapter 11 Reorganization</b> \$13.6 billion</p> <p>Financial Advisor to an Ad-hoc committee of Equity Security Holders</p>	<p>September 2006</p>  <p><b>Section 363 Asset Sale</b> \$101 million</p> <p>Financial Advisor to Legacy Estate Group, LLC, in connection with the sale of substantially all its assets to Kendall-Jackson Wine Estates, Ltd.</p>	<p>July 2006</p> <p><b>CRESCENT JEWELERS</b></p> <p><b>Chapter 11 Reorganization</b> \$114 million</p> <p>Financial Advisor to Crescent Jewelers in connection with its Chapter 11 Reorganization and the New Money Plan funded by Harbinger Capital Partners</p>
<p>June 2006</p>  <p><b>Chapter 11 Reorganization</b> \$1.4 billion</p> <p>Financial Advisor to the Ad-hoc Committee of Second Lien Noteholders</p>	<p>April 2006</p>  <p><b>Chapter 11 Reorganization</b> \$165 million</p> <p>Financial Advisor to the Official Committee of Unsecured Creditors</p>	<p>March 2006</p>  <p><b>Consent Solicitation</b> \$800 million</p> <p>Financial Advisor to Mercury Interactive Corp. in connection with a consent solicitation with holders of approximately \$800 million in debt securities</p>	<p>March 2006</p>  <p><b>Chapter 11 Reorganization</b> \$390 million</p> <p>Financial Advisor to the Official Committee of Unsecured Creditors</p>
<p>March 2006</p>  <p><b>CCA Reorganization</b> C\$3.1 billion</p> <p>Financial Advisor to the Informal Committee of Senior Debentureholders in connection with the CCA reorganization of Stelco, Inc.</p>	<p>February 2006</p>  <p><b>Out-of-Court Restructuring</b> \$474 million</p> <p>Financial Advisor to Home Interiors &amp; Gifts, Inc., in connection with an out-of-court restructuring of approximately \$474 million of aggregate indebtedness</p>	<p>February 2006</p>  <p><b>Chapter 11 Reorganization</b> \$350 million</p> <p>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</p>	<p>January 2006</p>  <p><b>Chapter 11 Reorganization</b> \$1.2 billion</p> <p>Financial Advisor to Mirant Mid-Atlantic Pass Through Certificate Holders</p>