

# HIGH YIELD & DISTRESSED MARKET REVIEW

Issue 18

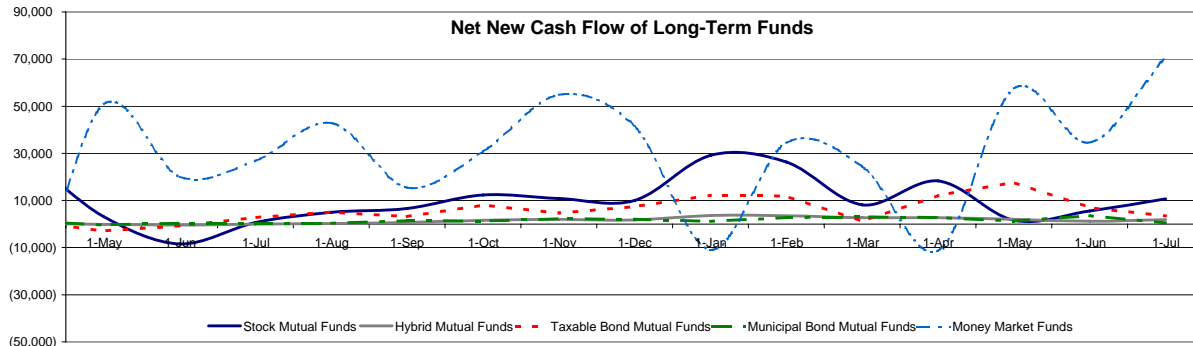
Week ending October 5, 2007

## Key Market Indicators

	October 5, 2007		2 Week		2 Week		2 Week		2 Week		YTD		YTD	
	Open	Close	High	Low	Change	Change %	Change	Change %	Change	Change %	Change	Change %	Change	Change %
DJIA	13,974.31	14,066.01	14,087.55	13,759.06	245.82	1.78%	1,602.86	13.53%						
Nasdaq	2,733.57	2,780.32	2,780.32	2,667.95	109.10	4.08%	365.03	15.11%						
S&P 500	1,542.84	1,557.59	1,557.59	1,517.21	31.84	2.09%	139.29	9.62%						
Russell 2000	829.15	844.88	844.88	803.00	31.77	3.91%	57.22	7.26%						
OEX Volatility Index	18.44	16.91	19.37	16.91	(2.09)	(11.00%)	5.35	46.28%						
Prime Rate	7.75%													
	1 month		3 months		6 months		1 Year							
LIBOR	5.13%		5.24%		5.16%		4.90%							

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

	Jul-07		Jun-07		May-07		Apr-07		Mar-07		Feb-07		Jan-07		YTD	
	Jul-07	Jun-07	Jul-07	Jun-07	Jul-07	Jun-07	Jul-07	Jun-07	Jul-07	Jun-07	Jul-07	Jun-07	Jul-07	Jun-07	Jul-07	Jun-07
Stock Mutual Funds	\$10,747	\$5,485	\$1,547	\$18,311	\$18,311	\$26,285	\$29,205	\$109,891								
Hybrid Mutual Funds	\$1,872	\$1,159	\$2,017	\$2,734	\$2,734	\$3,563	\$3,587	\$17,666								
Taxable Bond Funds	\$3,458	\$7,017	\$17,705	\$12,234	\$12,234	\$11,935	\$12,274	\$76,857								
Municipal Bond Funds	\$191	\$508	\$3,578	\$1,328	\$1,328	\$3,128	\$2,820	\$12,881								
Money Market Funds	\$71,141	\$34,618	\$57,569	(\$11,282)	(\$11,282)	\$34,417	(\$10,838)	\$164,343								



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

Index	Jul-07		Apr-07		Mar-07		Feb-07		Jan-07		Dec-06		YTD	
	Level	Level	Level	Level	Level	Level	Level	Level	Level	Level	Level	Level	Level	Return
Altman-NYU Defaulted Bank Loans Index	193.5	193.3	192.5	192.1	192.4	192.0	192.4	192.0	192.4	192.0	192.0	192.0	192.0	0.83%
Altman-NYU Defaulted Public Bonds Index	199.4	201.4	200.0	198.2	197.1	197.1	197.1	197.1	197.1	197.1	197.1	197.1	197.1	4.38%
Combined Bank Loan-Public Bond Index	216.6	217.3	216.0	214.1	213.4	213.4	213.4	213.4	213.4	213.4	213.4	213.4	213.4	3.77%
S&P 500 (Dividends Reinvested)	271.3	275.1	263.4	260.5	260.5	260.5	260.5	260.5	260.5	260.5	260.5	260.5	260.5	3.64%
Citigroup High Yield Index	224.5	234.9	231.7	231.4	228.2	228.2	228.2	228.2	228.2	228.2	228.2	228.2	228.2	(0.70%)

## Distressed News

Story Description	Size (\$mil)	Date	Source
Calpine Shareholders Lose Bid To Delay Chapter 11 Plan Vote	na	10/5/2007	DBR
House Advances Bankruptcy Relief To Aid Strapped Homeowners	na	10/5/2007	DBR
Judge Gives Interstate Bakeries More Time To Ink Labor Deal	na	10/5/2007	DBR
Pacific Lumber Faces Fight Over Bankruptcy Plan	na	10/5/2007	DBR
Volume Of High-Yield Bonds Stuck In Pipeline Has Dwindled	na	10/5/2007	DBR
Nellson Nutraceutical To Pay Off \$50.6M Debt With Sale Proceeds	na	10/5/2007	DBR

## M&A Announced Transactions

Target	Date	Acquirer	Value (\$mm)	Industry
Endev Energy Inc	10/4/2007	Endev Energy Inc	118	Energy and Power
PNC Finl Svcs Grp Inc	10/4/2007	PNC Finl Svcs Grp Inc	125,485	Financials
Copart Inc	10/4/2007	Copart Inc	2,842	Industrials
Aeon Co Ltd	10/4/2007	Aeon Co Ltd	18,003	Retail
Consorcio Aeromexico SA de CV	10/3/2007	Grupo Mexicana	364	Financials
WorldWater & Solar Tech Corp	10/3/2007	Quercus Trust	322	Industrials
Coates Hire Ltd	10/2/2007	Investor Group	1,744	Consumer Products and Services
Nikko Cordial Corp	10/2/2007	Citigroup Japan Holdings Ltd	49,969	Financials
Pavilion Bancorp Inc,Adrian,MI	10/2/2007	First Defiance Financial,OH	311	Financials
Commerce Bancorp,New Jersey	10/2/2007	Toronto-Dominion Bank	53,572	Financials
Christian Salvesen PLC	10/2/2007	Groupe Norbert Dentressangle	579	Industrials
Foseco PLC	10/2/2007	Cookson Group PLC	1,173	Materials

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### M&A Announced Transactions (Continued)

Target	Date	Acquirer	Value (\$mm)	Industry
Canadian Royalties Inc	10/2/2007	OAO MMC Norisk Nickel Group	311	Materials
Acindar Industria Argentina de	10/2/2007	Arcelor Mittal NV	1,297	Materials
MI Developments Inc	10/2/2007	MI Developments Inc	2,003	Real Estate
Sotoh Co Ltd	10/1/2007	Sotoh Co Ltd	134	Consumer Staples
Center Bancorp Inc,Union,NJ	10/1/2007	Center Bancorp Inc,Union,NJ	1,064	Financials
ViaCell Inc	10/1/2007	PerkinElmer Inc	255	Healthcare
NAVTEQ Corp	10/1/2007	Nokia Oyj	7,626	High Technology
Lindex AB	10/1/2007	Stockmann Oyj	1,204	Retail
WSFS Financial Corp,DE	9/28/2007	WSFS Financial Corp,DE	3,192	Financials
Malaysian Pacific Industries	9/28/2007	Malaysian Pacific Industries	631	High Technology
Graco Inc	9/28/2007	Graco Inc	2,605	Industrials
Celtic Resources Holdings PLC	9/28/2007	Centroferve	282	Materials
Imperial Hotel Ltd	9/28/2007	Mitsui Fudosan Co Ltd	2,159	Media and Entertainment
Monsoon PLC	9/28/2007	Drillgreat	1,412	Retail
TPV Technology Ltd	9/27/2007	Chi Mei Optoelectronics Corp	1,642	High Technology
McCoy Corp	9/27/2007	McCoy Corp	121	Industrials
Spartech Corp	9/27/2007	Spartech Corp	785	Materials
Tosho Printing	9/27/2007	Toppan Printing Co Ltd	198	Media and Entertainment
Traffix Inc	9/27/2007	New Motion Inc	146	Media and Entertainment
Famous Daves of America Inc	9/27/2007	Famous Daves of America Inc	166	Retail
Unwired Group Ltd	9/27/2007	Network Invest Hldg Pty Ltd	120	Telecommunications
Densei-Lambda KK	9/26/2007	TDK Corp	357	Energy and Power
Shaanxi Intl Trust & Invest Co	9/26/2007	China Minsheng Banking Corp	776	Financials
Washington Banking Co,Oak	9/26/2007	Frontier Finl Corp,Everett,WA	1,053	Financials
Webster Finl Corp,Waterbury,CT	9/26/2007	Webster Finl Corp,Waterbury,CT	17,215	Financials
Praj Industries Ltd	9/26/2007	Tata Sons Ltd	1,153	Industrials
Shinko Wire Co Ltd	9/26/2007	Shinko Wire Co Ltd	177	Materials
Shaanxi Qinling Cement(Grp)Co	9/26/2007	Hualun Group Co Ltd	528	Materials
Kyoritsu Maintenance Co Ltd	9/26/2007	Kyoritsu Maintenance Co Ltd	637	Real Estate
Hindustan Unilever Ltd	9/25/2007	Hindustan Unilever Ltd	12,348	Consumer Staples
Towngas China Co Ltd	9/25/2007	Morgan Stanley & Co Inc	1,285	Energy and Power
Vault Energy Trust	9/25/2007	Penn West Energy Trust	334	Energy and Power
West Coast Bancorp	9/25/2007	West Coast Bancorp	2,794	Financials

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

Company Name	Date	Rating Type	Agency	Current	Last	Industry
Banque Cantonale Vaudoise	10/5/2007	LT Local Issuer Credit	S&P	A+	A	Regional Banks-Non US
Banque Cantonale Vaudoise	10/5/2007	LT Foreign Issuer Credit	S&P	A+	A	Regional Banks-Non US
Canton of Vaud	10/5/2007	LT Foreign Issuer Credit	S&P	AA-	A+	Municipal-County
Canton of Vaud	10/5/2007	LT Local Issuer Credit	S&P	AA-	A+	Municipal-County
Capital Cities/ABC Inc	10/5/2007	LT Local Issuer Credit	S&P	A	A- *	Multimedia
Capital Cities/ABC Inc	10/5/2007	LT Foreign Issuer Credit	S&P	A	A- *	Multimedia
Disney Enterprises Inc	10/5/2007	LT Foreign Issuer Credit	S&P	A	A- *	Resorts/Theme Parks
Disney Enterprises Inc	10/5/2007	LT Local Issuer Credit	S&P	A	A- *	Resorts/Theme Parks
Inland Paperboard & Packaging Inc	10/5/2007	LT Local Issuer Credit	S&P	BBB-	BBB- *	Paper&Related Products
Inland Paperboard & Packaging Inc	10/5/2007	LT Foreign Issuer Credit	S&P	BBB-	BBB- *	Paper&Related Products
News America Inc	10/5/2007	LT Foreign Issuer Credit	S&P	BBB+	BBB *	Multimedia
News America Inc	10/5/2007	LT Local Issuer Credit	S&P	BBB+	BBB *	Multimedia
News Corp	10/5/2007	LT Foreign Issuer Credit	S&P	BBB+	BBB *	Multimedia
News Corp	10/5/2007	LT Local Issuer Credit	S&P	BBB+	BBB *	Multimedia
Temple-Inland Inc	10/5/2007	LT Local Issuer Credit	S&P	BBB-	BBB- *	Paper&Related Products
Temple-Inland Inc	10/5/2007	LT Foreign Issuer Credit	S&P	BBB-	BBB- *	Paper&Related Products
Walt Disney Co/The	10/5/2007	LT Local Issuer Credit	S&P	A	A- *	Multimedia
Walt Disney Co/The	10/5/2007	LT Foreign Issuer Credit	S&P	A	A- *	Multimedia
American Automobile Insurance Co	10/3/2007	LT Local Issuer Credit	S&P	A+	A	N.A.
American Automobile Insurance Co	10/3/2007	Financial Strength	S&P	A+	A	N.A.
American Insurance Co/The	10/3/2007	LT Local Issuer Credit	S&P	A+	A	N.A.
American Insurance Co/The	10/3/2007	Financial Strength	S&P	A+	A	N.A.
American Standard Lloyds Insurance Co	10/3/2007	LT Local Issuer Credit	S&P	A+	A	N.A.
American Standard Lloyds Insurance Co	10/3/2007	Financial Strength	S&P	A+	A	N.A.
Associated Indemnity Corp	10/3/2007	LT Local Issuer Credit	S&P	A+	A	N.A.
Associated Indemnity Corp	10/3/2007	Financial Strength	S&P	A+	A	N.A.
Chicago Insurance Co	10/3/2007	LT Local Issuer Credit	S&P	A+	A	N.A.
Chicago Insurance Co	10/3/2007	Financial Strength	S&P	A+	A	N.A.
Construtora Norberto Odebrecht SA	10/3/2007	LT Local Issuer Credit	S&P	BB	BB-	Building-Heavy Construct
Construtora Norberto Odebrecht SA	10/3/2007	LT Foreign Issuer Credit	S&P	BB	BB-	Building-Heavy Construct

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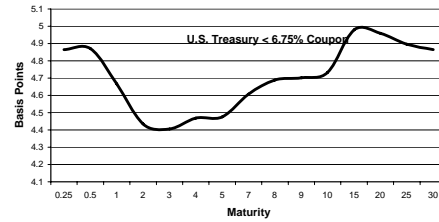
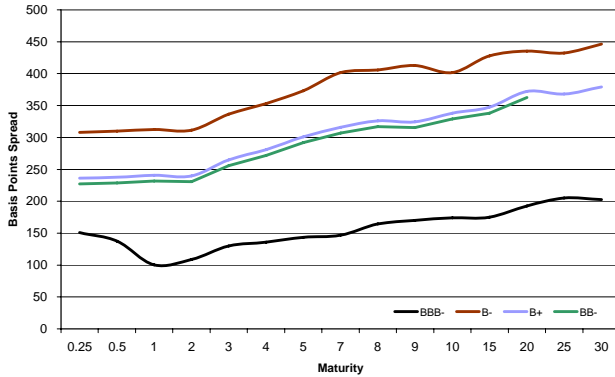
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### High Yield Credit Rating Downgrades for Last 2 Weeks

Company Name	Date	Rating Type	Agency	Current	Last	Industry
Chaparral Steel Co	10/5/2007	LT Local Issuer Credit	S&P	NR	B+ *	Steel-Producers
Chaparral Steel Co	10/5/2007	LT Foreign Issuer Credit	S&P	NR	B+ *	Steel-Producers
Cia Forca e Luz Calaguazes - Leopoldina	10/5/2007	LT Local Issuer Credit	S&P	NR	B+	Electric-Integrated
Cia Forca e Luz Calaguazes - Leopoldina	10/5/2007	LT Foreign Issuer Credit	S&P	NR	B+	Electric-Integrated
Marriott International Inc/DE	10/5/2007	LT Foreign Issuer Credit	S&P	BBB	BBB+	Hotels&Motels
Marriott International Inc/DE	10/5/2007	LT Local Issuer Credit	S&P	BBB	BBB+	Hotels&Motels
Alliance Boots Ltd	10/4/2007	LT Local Issuer Credit	S&P	NR	B-	Retail-Drug Store
Alliance Boots Ltd	10/4/2007	LT Foreign Issuer Credit	S&P	NR	B-	Retail-Drug Store
ArvinMeritor Inc	10/4/2007	LT Foreign Issuer Credit	S&P	B+	BB-	Auto/Trk Prts&Equip-Orig
ArvinMeritor Inc	10/4/2007	LT Local Issuer Credit	S&P	B+	BB-	Auto/Trk Prts&Equip-Orig
Bausch & Lomb Inc	10/4/2007	LT Foreign Issuer Credit	S&P	B+	BB+ *	Optical Supplies
Bausch & Lomb Inc	10/4/2007	LT Local Issuer Credit	S&P	B+	BB+ *	Optical Supplies
G Steel PCL	10/4/2007	LT Foreign Issuer Credit	S&P	B+ *	B+ *	Steel-Specialty
G Steel PCL	10/4/2007	LT Local Issuer Credit	S&P	B+ *	B+ *	Steel-Specialty
Live Nation Inc	10/4/2007	LT Local Issuer Credit	S&P	B	B+	Commercial Services
Live Nation Inc	10/4/2007	LT Foreign Issuer Credit	S&P	B	B+	Commercial Services
Yara International ASA	10/4/2007	LT Foreign Issuer Credit	S&P	BBB	BBB+ *	Agricultural Chemicals
Yara International ASA	10/4/2007	LT Local Issuer Credit	S&P	BBB	BBB+ *	Agricultural Chemicals
Alliance Boots Ltd	10/3/2007	LT Foreign Issuer Credit	S&P	B-	BB- *	Retail-Drug Store
Alliance Boots Ltd	10/3/2007	LT Local Issuer Credit	S&P	B-	BB- *	Retail-Drug Store
Allianz Subalpina	10/3/2007	Financial Strength	S&P	NR	BBBpi	Multi-line Insurance
Allianz Subalpina	10/3/2007	LT Local Issuer Credit	S&P	NR	BBBpi	Multi-line Insurance
Dean Foods Co	10/3/2007	LT Foreign Issuer Credit	S&P	BB-	BB	Food-Dairy Products
Dean Foods Co	10/3/2007	LT Local Issuer Credit	S&P	BB-	BB	Food-Dairy Products
Dean Holding Co	10/3/2007	LT Foreign Issuer Credit	S&P	BB-	BB	Diversified Finan Serv
Dean Holding Co	10/3/2007	LT Local Issuer Credit	S&P	BB-	BB	Diversified Finan Serv
International Flavors & Fragrances Inc	10/3/2007	LT Foreign Issuer Credit	S&P	BBB	BBB+ *	Chemicals-Specialty
International Flavors & Fragrances Inc	10/3/2007	LT Local Issuer Credit	S&P	BBB	BBB+ *	Chemicals-Specialty
KazMunaiGas Exploration Production	10/3/2007	LT Local Issuer Credit	S&P	BB+ *	BB+	Oil Comp-Explor&Prodn
KazMunaiGas Exploration Production	10/3/2007	LT Foreign Issuer Credit	S&P	BB+ *	BB+	Oil Comp-Explor&Prodn
KazMunaiGaz National Co	10/3/2007	LT Foreign Issuer Credit	S&P	BBB- *	BBB-	Oil Comp-Explor&Prodn
KazMunaiGaz National Co	10/3/2007	LT Local Issuer Credit	S&P	BBB- *	BBB-	Oil Comp-Explor&Prodn
KazTransGas	10/3/2007	LT Local Issuer Credit	S&P	BB *	BB	Gas-Distribution
KazTransGas	10/3/2007	LT Foreign Issuer Credit	S&P	BB *	BB	Gas-Distribution
Kazakhstan Electricity Grid Operating Co	10/3/2007	LT Foreign Issuer Credit	S&P	BB+ *	BB+	Electric-Integrated
Kazakhstan Electricity Grid Operating Co	10/3/2007	LT Local Issuer Credit	S&P	BB+ *	BB+	Electric-Integrated










### Bond Spread To US Treasury Data



	Time Period of Change			
	2 weeks	3 months	6 months	1 year
B-	(5)	110	90	3
B+	(9)	76	67	4
BB-	(18)	68	69	0
BBB-	(9)	20	14	3

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 <p><b>LAKE LAS VEGAS RESORT</b></p> <p>Out-of-Court Restructuring \$599.7 million</p> <p>Financial Advisor to the Ad-hoc Committee of First Lien Lenders of Lake Las Vegas Resort</p>	 <p><b>ALLIED HOLDINGS</b></p> <p>Chapter 11 Reorganization \$400 million</p> <p>Financial Advisor to the Official Committee of Unsecured Creditors of Allied Holdings, Inc.</p>	 <p><b>BERKLINE BENCHCRAFT</b></p> <p>Out-of-Court Restructuring \$225 million</p> <p>Financial Advisor to the Ad-hoc Committee of Second Lien Lenders of Berkline BenchCraft Holdings</p>	 <p><b>W</b></p> <p>Out-of-Court Restructuring \$235 million</p> <p>Financial Advisor to the Ad-hoc Committee of Senior Noteholders of Wolverine Tube, Inc.</p>
 <p><b>ARROWOOD BYRON FREEMARK ABBNEY</b></p> <p>Section 363 Asset Sale \$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><b>SATMEX</b></p> <p>Chapter 11 Reorganization \$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><b>OWENS CORNING</b></p> <p>Chapter 11 Reorganization \$13.6 billion</p> <p>Financial Advisor to an Ad-hoc Committee of Equity Security Holders</p>	<p><b>CRESCENT JEWELERS</b></p> <p>Chapter 11 Reorganization \$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><b>PLIANT CORPORATION</b></p> <p>Chapter 11 Reorganization \$1.4 billion</p> <p>Financial Advisor to the Ad-hoc Committee of Second Lien Noteholders</p>	 <p><b>Birch telecom</b></p> <p>Chapter 11 Reorganization \$165 million</p> <p>Financial Advisor to the Official Committee of Unsecured Creditors</p>	<p><b>MERCURY</b></p> <p>Consent Solicitation \$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><b>Sullivan Industries, Inc.</b></p> <p>Chapter 11 Reorganization \$390 million</p> <p>Financial Advisor to the Official Committee of Unsecured Creditors</p>