

Wednesday July 11, 2007

## Bankruptcy Filing Volume

	Current Year	2006 Comparables
<b>Year to Date:</b>	\$4.388 billion in 20 cases	\$14.265 billion in 23 cases
<b>Quarter to Date:</b>	\$0.175 billion in 1 case	\$0.000 billion in 0 cases
<b>Month to Date:</b>	\$0.175 billion in 1 case	\$0.000 billion in 0 cases

Dollar amount is total of liabilities for Chapter 11 and Chapter 7 filings with liabilities greater than \$75 million.

## What To Watch Today

### July 11

- 10 a.m. ET: Housing and economic forecast (National Association of Realtors)

### July 12

- 8:30 a.m. ET: Initial claims (Department of Labor)
- 8:30 a.m. ET: US International trade, May (Census Bureau, Bureau of Economic Affairs)
- Treasury to auction \$8 billion 10-year TIPS

### July 13

- 8:30 a.m. ET: Retail sales, June (Census Bureau)
- 10 a.m. ET: Business inventories, May (Census Bureau)

### July 16

- Treasury to auction 3-month bills, 6-month bills

### July 17

- 8:30 a.m. ET: Producer price index, June (Bureau of Labor Statistics)
- 9:15 a.m. ET: Industrial production (Federal Reserve)

## Prospect News

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# Retailers slip on low sales; Movie Gallery stable; Fedders dips; Primus unchanged

By Stephanie N. Rotondo

Portland, Ore., July 10 – Consumer products and retail companies were weighed down Tuesday, spurred by a general weakness furthered by lowered second-quarter expectations from big-name retailers Sears and Home Depot.

Retail sales have been slipping of late, which has put pressure on names like **Spectrum Brands Inc.** and **Linens n'Things Inc.** Consumer spending has waned in the face of rising oil prices and overall concerns regarding the state of the economy.

Also hurt by a lag in consumer spending is **Movie Gallery Inc.**, which recently said it had failed to meet certain financial covenants under its credit facility due to lower-than-expected earnings in the first quarter.

Still, the company's bonds have stabilized after falling from around 80 to the

mid-20s in less than a week.

Elsewhere, **Fedders Corp.**'s bonds are back in the game after seeing little to no trading in the last few months. A trader said the bonds are softening as market players wait to see what the company's second-quarter figures show.

After completing its PIPE deal last week, a trader expected **Primus Telecommunications Group Inc.**'s bonds to get busy, given that the company said it could take out some debt with the proceeds. He said the bonds were unchanged on Tuesday's session but have been slowly edging higher in recent weeks.

## Consumer products, retailers down

Companies that sell or produce consumer products are reeling, as general market weakness combined with an already low expectation for second-quarter numbers

*Continued on page 2*

# Solutia's disclosure statement needs more clarity, judge says; schedules hearing for July 17

By Reshmi Basu

New York, July 10 – **Solutia Inc.**'s disclosure statement for its plan of reorganization needs cleaner and more concise language to allow the relevant parties to evaluate the deal, a U.S. bankruptcy judge said Tuesday.

Declining to approve the document, judge Prudence C. Beatty of the U.S. Bankruptcy Court for the Southern District of New York also added that the plan appeared to act in the best interests of

Monsanto Co., an agricultural biotechnology corporation, which spun off its industrial and fiber divisions into Solutia in 1997.

A second disclosure statement approval hearing has been scheduled for July 17.

Amongst her complaints, the judge criticized the statement for not stating clearly who will be casting votes for the reorganization plan, noting that the information is buried and muddled.

In particular, she said the document did not spell out how retirees would be treated

*Continued on page 3*

## Distressed Debt News

### Retailers slip on low sales; Movie Gallery stable; Fedders dips; Primus unchanged

Continued from page 1

spur many retail-based bonds to slip.

Spectrum Brands, the maker of Rayovac batteries as well as other consumer goods, saw its bonds “down a good bit,” a trader said. He pegged the 11¼% notes due 2013 at 88.5 bid, 89 offered.

“Certainly when you see Sears and Home Depot, consumer-driven type companies [which lowered second-quarter expectations], I think there is a caution factor there,” he said.

The trader also saw Linens n’ Things floating-rate notes due 2014 lower at around 70. Names like **Bon-Ton Stores Inc.** and **Burlington Coat Factory Warehouse Corp.** were also deemed weaker, with the 10¼% notes due 2014 and the 11.125% notes due 2014 at 94 bid, 95 offered, respectively.

At another desk, a trader attributed the sector’s weakness to less consumer spending.

“Retail sales are the worst they have been since 1991,” he said.

He said he saw Linens n’ Things bonds trading at 69 bid, 71 offered, while **Claire’s Stores Inc.** dipped 3 points from Monday, with the 10½% notes due 2017 at 87 bid, 89 offered.

Retailers are expected to post June same-store sales results on Thursday, while the government will release its gauge of June retail sales on Friday.

#### Movie Gallery stable

Movie Gallery’s notes are stabilizing after last week’s sell-off, with traders reporting that the 11% notes due 2012 are hovering in the 24 level.

A trader said he saw the bonds trade as high as 24.75 during the session, with a low of 23.75. Another trader saw the debt at 23.5 bid, 24.5 offered.

The first trader said he had heard that the Dothan, Ala.-based movie rental chain had attempted to secure a third-lien term loan but was unable to do so – which he said caused “everything to fall to pieces.”

But another trader said that was old news, noting that the company had said it was looking to exchange its notes for a third-lien issue plus equity. To do that, he said, the company had to get approval to boost the amount of shares in its stock.

“I don’t think they were able to get that,” he said.

“But that would not have prevented the bottom falling out,” he added.

#### Fedders slips

Air conditioner manufacturer Fedders is seeing its bonds slip, despite hotter temperatures, which were expected to boost the company’s second-quarter performance.

A trader quoted the 9 7/8% notes due 2014 at 26.5 bid, 28.5 offered, trading in light volume.

“Nobody wants to play,” he said.

“Everybody is waiting for second-quarter numbers. Either they show improvement or the company needs to seriously think about doing some restructuring.”

“You would think it might have heated up with the heat wave,” he quipped.

#### Primus unchanged

Virginia-based Primus

Telecommunications’ notes have slowly been inching up, but remained unchanged during the last few sessions, which surprised one trader.

The trader quoted the 3¾% notes due 2010 at 72 bid, 74 offered – also the market for the 8% notes due 2014 – while the 12¾% notes due 2009 were seen at 96.5 bid, 97.5 offered.

Though the bonds have been firming of late, the trader was surprised that more people were not getting involved in the name – especially the 3¾% and 8% notes – given the company’s recent PIPE deal.

“Those would certainly be issues that company would want to look at, I would think,” he said, noting that proceeds from the PIPE deal may be used to take out old debt. “They can get more face value for less

dollars.”

Last week, Primus completed the deal, netting \$18.9 million from the sale of 22.5 million shares of its common stock. In an 8-K filing with the Securities and Exchange Commission, the company said it would use the proceeds for general corporate purposes, including repaying outstanding debt.

#### InSight Health debt quiet

Trading was light to non-existent in **InSight Health Services Corp.’s** debt, despite receiving approval on its pre-packaged bankruptcy plan.

A trader said the 9 7/8% junior notes due 2011 saw a market of 33 bid, 40 offered but did not trade. The floating-rate senior notes due 2011 did see some trades, he said, at a 95 bid, 97 offered, with most trades between 95 and 96.

As the company looks to emerge bankruptcy on Aug. 1, the trader said it is the when-issued stock that will be interesting. Holders of the junior notes will receive 90% of the new common stock in the reorganized company.

“That will be the security to trade going forward,” he said.

#### Doral notes steady

**Doral Financial Corp.’s** floating-rate notes due 2007 – on July 20, to be exact – were seen offered at 97.75, a trader said, but there were no bids to be found.

The trader, however, said he believed that a takeover deal led by Bear Stearns would go through, despite market concerns to the contrary.

They syndicated that deal,” he said. “I don’t think it is going to be an issue. I don’t think the coupon is in jeopardy, either.”

Instead, he thought that weakness in the subprime market was weighing on the Puerto Rico-based bank down.

“I think it is just sympathy with other subprime,” he said.

In fact, that could be the case, as ratings agency Standard & Poor’s looks to

Continued on page 5

## Distressed Debt News

### *Solutia's disclosure statement needs more clarity, judge says; schedules hearing for July 17*

*Continued from page 1*

under the plan and exactly who is entitled to vote, whether it is the retiree or the representative of the retiree committee.

In the present form, Beatty told counsel that if retirees saw this document, their response would be "Huh?"

The statement "doesn't deal in a way that would be understandable to retirees. It's a technical question but a lot of what is in there does not prepare them for what they need to know," she told the court.

"These people are going to get all upset and you don't need that."

### Dioxin claims prompt dispute

Meanwhile counsel for Solutia said they had addressed questions surrounding Nitro tort claims. Nitro is a small town in West Virginia, which its residents say has become polluted from the release of the toxic chemical dioxin from an old chemical plant of Monsanto's.

"Monsanto is taking all the claims," said Solutia attorney Jonathan S. Henes of Kirkland & Ellis LLP.

However, judge Beatty disagreed. She said that from the disclosure statement, it appeared that Solutia was getting the raw end of the deal while Monsanto was receiving protection from tort claims.

"I don't understand how you are doing anything for Solutia," she said, adding that all the claims were being left to the company.

Pharmacia Corp., a former Monsanto affiliate, has also been named as a defendant in tort claims.

"Under your plan, Pharmacia is not getting any release that would protect them under those tort claims," she added.

Meanwhile, the counsel for the nitro tort claimants Stuart Calwell objected to the plan.

He said that there needed to be an understanding that the residents of Nitro would have the right to pursue the claims even if the company emerged from bankruptcy.

"All we want is to be able to emerge from this economic alignment...let them make their money," Calwell told the court.

"But let us pursue our lawsuits as if this had never taken place."

To that issue, Henes said Monsanto is taking all financial liabilities for the claims. He added that he assumed that all of them will be tort claims and they will survive.

"All these dioxin claims – whether they are filed or not – will be Monsanto's responsibilities, said Henes, adding that was good news for Solutia.

"We won't have to figure it out. In fact because Monsanto is taking those claims... Calwell can have his day in court."

### Judge wants detail on Dickerson claims

In another issue, the judge questioned the language surrounding the Dickerson claim, in which there are allegations that Solutia breached its fiduciary duties, causing losses to the company's savings and investment plan.

"The plan just repeats what the statutes say in terms of defining that claim," the judge said, adding there needs to be fine tuning as to who the people really are as opposed to how those people are defined by the claim.

The judge added that she was unsure as to whether to let Solutia settle with the lawyers from Dickerson because of how it would impact the larger picture of recovery rates.

In another objection to the motion, senior secured noteholders said they wanted to make sure that there is not an early repayment of the notes, which are set to mature in 2009.

"In essence, if they are to prepay, there will be some liabilities," said the committee's attorney John Cunningham of White & Case LLP.

In particular, Cunningham criticized Solutia for overturning the classification of the noteholders at the last minute.

"Thirteen months ago, they said we were unimpaired under the original plan. Therefore we are deemed to [accept] the plan. Last week, they flip it to where we are now impaired," he told the court.

### Plan is premature, says noteholders

In addition, Bennett Murphy, of Hennigan Bennett & Dorman LLP, counsel to the ad hoc committee of Solutia's noteholders, said that solicitation on the plan was premature because noteholders needed more disclosure.

According to the noteholders, because the plan fully incorporates the terms of a settlement with Monsanto, the court must first approve that settlement before the plan can be confirmed.

He noted there should be a settlement of the lien issue that will be contested by \$450 million of the noteholders, which he said he represented.

The deal "gives Monsanto far too much for what they are giving.

"The plan is not ready for primetime."

However, Edward S. Weisfelner of Brown Rudnick Berlack Israels LLP, representing the ad hoc trade claims committee, disagreed, saying that Murphy was playing the court through disingenuous arguments and was looking to up the leverage for his clients so that they could extort value.

"You never heard the noteholders complain about the settlement until they lost the second lien litigation.

On May 1, Solutia obtained a ruling that holders of its 7 3/8% notes due Oct. 15, 2027 and its 6.72% notes due Oct. 15, 2037 are not entitled to a lien on any company assets and therefore should be treated like all of the other unsecured creditors.

The ruling was made by judge Beatty as part of the company's JP Morgan bondholder litigation.

Weisfelner further told the court that Murphy represented about half of the class, under which \$270 million are "in and out of

*Continued on page 4*

## Distressed Debt News

# Delphi investors Appaloosa, Harbinger discuss possible new investment agreement

By Jennifer Lanning Drey

Portland, Ore., July 10 – **Delphi Corp.** investors Appaloosa Management LP and Harbinger Capital Partners Master Fund I continue to engage in discussions with Delphi regarding a possible restructured investment in connection with the company's reorganization, the investors said in separate schedule 13D/A filings made Tuesday with the Securities and Exchange Commission.

Both investors also said potential agreements include "many elements similar to those contained in the investment agreement and the plan framework

support agreement."

Delphi spokesman Lindsey Williams said Tuesday that Delphi terminated its equity purchase and commitment agreement and related plan framework support agreement with all involved investors in order to pursue another investor agreement.

Delphi has not announced any investors with whom it is in negotiations, but Williams said, "It is our belief that some of the investors [from the previous agreement] will be part of a transaction going forward."

The previous agreement was original-

ly led by Cerberus Capital Management, LP and involved Appaloosa and Harbinger. However, Delphi announced in April that Cerberus was not expected to continue as a plan investor.

Delphi plans to have a new framework agreement in place by the end of July, Williams said.

Delphi, a Troy, Mich.-based automotive electronics manufacturer, filed for bankruptcy on Oct. 8, 2005 in the U.S. Bankruptcy Court for the Southern District of New York. Its Chapter 11 case number is 05-44481.

## *Solutia's disclosure statement needs more clarity, judge says; schedules hearing for July 17*

*Continued from page 3*

the credit" on an hourly basis thanks to frequent trading.

"They shift like the sand in an hour glass," Weisfelner told the court.

"Murphy does not need disclosure. He's not complaining about disclosure.

"This is about playing the judge," he added, suggesting that Murphy was representing the interests of hedge funds only.

Moreover, Daniel H. Golden of Akin Gump Strauss Hauer & Feld LLP, the counsel for the official committee of unsecured creditors, agreed with Weisfelner that the disclosure statement should be approved.

"Nothing has changed from a month ago," Golden told the court remarked, adding that official creditors committee has been chastised by Murphy for supporting a global settlement.

### Equity committee wants more disclosure

Meanwhile the official committee of equity security holders said the amended plan provides shareholders something which it had not before – warrants.

But he committee said that two issues need to be disclosed: the value of the stock and whether equity holders are receiving enough

value in return for their claim.

"They [debtors] have to sell this. We believe Monsanto had a part in penning this," the counsel for the equity shareholders told the court.

In delaying her ruling, judge Beatty noted that "little things keep on popping out of the woodwork."

She asked that the debtors address the mechanics of the retirees and tort claims as well as be more upfront with the release issues.

The disclosure statement has "slung a little too far in terms of taking a pro-Monsanto/Pharmacia position," she told the court.

"You talk about what Monsanto is doing for you. You have to address those people...who don't believe Monsanto walks on water."

Judge Beatty remarked that the debtors should address issues arising from the objections as well as clarify the language of the disclosure statement.

Solutia, a St. Louis-based manufacturer and provider of performance films, specialty chemicals and an integrated family of nylon products, filed for bankruptcy on Dec. 17, 2003. Its Chapter 11 case number is 03-17949.

## Delphi debtor looks to fund \$163 million Spanish plant closure severance plan

By Caroline Salls

Pittsburgh, July 10 – **Delphi Corp.** debtor Delphi Automotive Systems (Holding) Inc. requested court approval to provide \$163 million to wholly owned subsidiary Delphi Automotive Systems Espana SA to fund severance payments in connection with a plant closure, according to a Monday filing with the U.S. Bankruptcy Court for the Southern District of New York.

According to the motion, under its Spanish “concurso” insolvency proceeding, Delphi Automotive Systems Espana agreed to make a separation payment of 45 days’ salary to workers at its former Cadiz, Spain,

plant.

In exchange for Delphi Automotive Systems (Holding) providing the funding, the Spanish subsidiary’s receivers have agreed that, upon approval of the collective layoff procedure by the Spanish court, creditor approval of Delphi Automotive Systems Espana’s plan of reorganization, payment of at least 66 2/3% of creditors’ pre-concurso claims within three years and payment in of full of post-concurso claims, Delphi Automotive Systems (Holding), Delphi, all other Delphi affiliates and each of their directors and officers will be released from any liability related to Delphi Automotive Systems Espana and its

concurso proceedings.

Delphi said that the Spanish subsidiary believes that if it does not accept the terms of the separation plan, the Spanish court may dismiss the layoff plan, and its creditors may claim that Delphi Automotive Systems Espana’s directors, as well as Delphi Automotive Systems (Holding) and/or Delphi under a “shadow director” theory, could be exposed to potential litigation.

A hearing is scheduled for July 19.

Delphi, a Troy, Mich.-based automotive electronics manufacturer, filed for bankruptcy on Oct. 8, 2005. Its Chapter 11 case number is 05-44481.

## Exaeris, Inyx USA creditor objects to DIP facility amid fraud allegations

By Caroline Salls

Pittsburgh, July 10 – **Exaeris, Inc.** and **Inyx USA, Ltd.** creditor Westernbank Puerto Rico objected to the company’s proposed debtor-in-possession financing, alleging that Inyx USA’s management committed fraud against Westernbank and the DIP funding actually belongs to the creditor, according to a Tuesday filing with the U.S. Bankruptcy Court for the District of Delaware.

Westernbank said its evidence of fraudulent activity includes inducing Westernbank to advance funds to the company’s affiliates in connection with allegedly false and fraudulent invoices transmitted to customers, including using multiple invoices for transactions that could

have been one single invoice.

Westernbank said these fraudulent actions resulted in the November 2006 disappearance of \$37.7 million in fraudulently created invoices and corresponding receivables and in the June 2007 disappearance of \$87.7 million in fraudulent invoices/receivables.

In addition, Westernbank said Inyx USA diverted at least \$14 million in cash receipts from customers.

Westernbank said these actions resulted in Inyx Pharma Ltd. and Ashton Pharmaceuticals Ltd. being placed in administration in the United Kingdom and in Exaeris’ and Inyx USA’s Chapter 11 filings.

“Based on this evidence of fraud by the

affiliates, Westernbank has strong cause to believe that any funds to be provided the debtors by [DIP lender Jack] Kachkar or any of his affiliates is actually the property of Westernbank,” Westernbank said in the objection.

Inyx, Inc. is pharmaceutical company based in New York that develops drug delivery technologies and products for the treatment of respiratory, allergy, dermatological, topical and cardiovascular conditions. The U.S. subsidiaries – Exaeris Inc. and Inyx USA Ltd. – were placed in Chapter 11 bankruptcy on July 2 by their parent company, and their case number is 07-10887.

### *Retailers slip on low sales; Movie Gallery stable; Fedders dips; Primus unchanged*

*Continued from page 2*

downgrade \$12 billion of subprime mortgage-backed securities – a move expected to affect the wider market as well.

#### Broad market weaker

**Calpine Corp.**’s bonds have been quiet, a trader said, though weaker. He pegged the 8½% notes due 2011 at 124.5 bid, 125.5 offered.

“[The bonds] have been slowly drifting in,” he said. “But I think people have made their bets. If you are in the name, you are not getting out.”

Meanwhile, **Technical Olympic USA Inc.**’s bonds “melted down toward the end of the day,” the trader said. He quoted the 7½% notes due 2011 at 68 bid, 70 offered, which he called “off quite a bit in the last couple of days.”

## Distressed Debt News

## Tower Records' \$3.08 mln liquidation agreement dispute settlement approved

By Caroline Salls

Pittsburgh, July 10 - **Tower Records** obtained court approval to pay \$3.08 million under a settlement of liquidation agency agreement and final expense disputes, according to a Tuesday filing with the U.S. Bankruptcy Court for the District of Delaware.

The company's liquidation agent was provided by a joint venture between

Great American Group, LLC and Hudson Capital Group, LLC.

The agency agreement settlement payment will be \$2 million, and the expense settlement payment will be \$1.08 million.

According to the filing, the agency agreement settlement resolves a dispute between the agent and the company on the value of three categories of inventory.

In exchange for the settlement payments, the company has agreed to withdraw all claims against the liquidation agent.

Tower is a subsidiary of Sacramento, Calif.-based MTS Inc. The company filed for bankruptcy on Aug. 20, 2006. Its Chapter 11 case number is 06-10886.

## Tweeter U.S. Trustee adds new member to unsecured creditors committee

By Caroline Salls

Pittsburgh, July 10 - **Tweeter Home Entertainment Group, Inc.**'s U.S. Trustee added a new member to the company's official committee of unsecured creditors, according to a Tuesday filing with the U.S. Bankruptcy Court for the District of Delaware.

Marianne Von Feldt of J.L. Audio, Inc., Miramar, Fla., was added to the committee.

The rest of the committee consists of Robert A. Tryson of Polk Audio, Inc., Baltimore; Ronald M. Tucker of Simon Property Group, Inc., Indianapolis; Kevin P. Saunry of Ryder Truck Rental, Inc., Alpharetta, Ga.; Michael McConnell of The Quest Group, Irvine, Calif.; and Andrew W. Prete of OmniMount Systems, Inc., Phoenix.

Tweeter, a Canton, Mass., consumer electronics retailer, filed for bankruptcy on June 11. Its Chapter 11 case number is 07-10787.

## Moody's says upgrades narrowly outpace downgrades in second quarter

By Angela McDaniels

Seattle, July 10 - Global credit quality, as reflected in credit rating upgrades and downgrades, continued to be slightly positive overall during the second quarter of 2007, according to a **Moody's Investors Service** report.

The agency found that the ratio of upgrades to downgrades during the quarter was 1.1 to 1, essentially unchanged from the 1.09 to 1 ratio of the previous quarter.

Looking ahead, there are more issuers on review for downgrade than for upgrade and more negative outlooks than positive outlooks, Moody's said, with 4.6% of rated issuers on review for downgrade and 2.4% on review for upgrade. Similarly, 9.8%

of rated issuers have negative outlooks, compared with 7.4% with positive outlooks.

"Although the distribution of rating reviews and outlooks appears less positive than the trend in rating actions, these indicators have been very stable over the previous five quarters," Moody's associate analyst Jennifer Tennant said in the report.

Also continuing a trend from the previous quarter, outlooks and reviews show that the credit outlook for investment-grade issuers is slightly more positive than for speculative-grade issuers, Tennant said, although both categories had more issuers on downgrade review than upgrade review.

Tennant added that during the second quarter, investment-grade ratings showed

more stability than did speculative grade, which saw more downgrades and upgrades.

By region, Asia-Pacific and Latin America continued to show the most credit strength, with markedly more upgrades than downgrades and issuers on review for upgrade versus downgrade, the agency said. Europe also performed strongly during the second quarter, with the ratio of upgrades to downgrades at 2.25 to 1.

According to the report, the most active industries in terms of the number of rating actions during the quarter were automotive, consumer products, health care and technology. Among these, all but health care saw more downgrades than upgrades.

## InSight plan of reorganization confirmed; company obtains commitment for \$30 million exit financing

By Caroline Salls

Pittsburgh, July 10 - **InSight Health Services Holdings Corp.**'s pre-packaged plan of reorganization was confirmed Tuesday by the U.S. Bankruptcy Court for the District of Delaware, and the company expects to emerge from Chapter 11 bankruptcy on Aug. 1, according to a company news release.

In addition, InSight said Bank of America, NA has committed to provide a \$30 million revolving credit facility that will be used to provide working capital for ongoing operations.

According to the exit financing commitment letter, the revolver will include a subfacility of up to \$15 million for letters of credit.

The exit facility will mature on June 30, 2011.

Interest will be based on the company's fixed-charge coverage ratio.

If the ratio is greater than or equal to 1.50, interest will be Libor plus 200 basis points; if the ratio is 1.25 to 1.50, interest will be Libor plus 225 bps; and if the ratio is less than 1.25, interest will be Libor plus 250 bps.

"This marks an important step for InSight and its future," president and chief executive officer Bret W. Jorgensen said in the release.

"We expected a quick confirmation of the plan, and hence, we accomplished our goal, which preserved trade creditor claims and also protected our customers and employees.

"We have eliminated \$194.5 million of debt, improved our liquidity and negotiated a continued revolving credit facility," Jorgensen added.

According to the confirmation order filed Tuesday with the court, the pre-packaged plan was approved by 41 holders, or 93.2% in number, of \$108.13 million, or 97.2% in amount, of senior subordinated noteholders,

while six holders, or 6.8% in number, of \$3.1 million, or 2.8% in amount, of these claims voted to reject it.

All six holders of old common stock interests voted to accept the plan.

As previously reported, InSight Health Services Holdings' existing \$300 million in senior secured floating-rate notes due 2011 will remain outstanding after the restructuring.

Also, initial consenting noteholders J.P. Securities Inc. and Black Diamond will purchase \$15 million of new floating-rate notes at a purchase price of 85% of the face amount of the new notes.

### Plan creditor treatment

Treatment of creditors under the pre-packaged plan will include:

- Holders of \$9.6 million in lender secured claims will be paid in full in cash on the plan effective date;
- Holders of floating-rate note claims will have their claims reinstated;
- Holders of other secured claims will receive either the return of the collateral securing the claim or reinstatement of the claim;
- Holders of general unsecured claims will be paid in full in cash;
- Holders of senior subordinated note claims will receive 90% of the new common stock in the reorganized company;
- Holders of old common interests will receive 10% of the new common stock in the reorganized company; and
- Holders of other interests will receive no distribution under the plan.

InSight, a Lake Forest, Calif., provider of diagnostic imaging services, filed for bankruptcy on May 29. Its Chapter 11 case number is 07-10700.

## Federal-Mogul asbestos insurance dispute settlement approved

By Caroline Salls

Pittsburgh, July 10 - **Federal-Mogul Corp.** obtained court approval of an agreement under which insurers Everest Reinsurance Co. and Mt. McKinley Insurance Co. will pay a total of \$10.5 million in the settlement of an asbestos insurance coverage dispute, according to a Tuesday filing with the U.S. Bankruptcy

Court for the District of Delaware.

Several asbestos claims have been filed against Federal-Mogul subsidiary Federal-Mogul Products, Inc., and Federal-Mogul and Federal-Mogul Products believe the insurers should be required to make liability payments and pay defense costs under the policies in question, the motion said.

The settlement payment will be held

in an escrow account to be transferred to Federal-Mogul's plan of reorganization asbestos trust after the plan takes effect.

Federal-Mogul, a Southfield, Mich.-based auto parts manufacturer, filed for bankruptcy on Oct. 1, 2001. Its Chapter 11 case number is 01-10578.

## Victory Memorial Hospital hearing on exclusivity extension adjourned

By Reshmi Basu

New York, July 10 - Tuesday's scheduled hearing for **Victory Memorial Hospital's** request for a second extension to its exclusive periods to file a plan of reorganization and solicit votes on the plan has been adjourned, according to a source familiar with the bankruptcy case.

The hospital wants to extend its exclusive plan filing period to Nov. 15 from July 15 and the solicitation period to Jan. 15, 2008 from Sept. 15.

The Brooklyn, N.Y.-based hospital filed for bankruptcy on Nov. 15, 2006 with the U.S. bankruptcy Court for the Eastern District of New York. Victory Memorial's Chapter 11 case number is 06-44387.

# Distressed Debt Calendar

## Distressed Debt Calendar: Tower plan confirmation hearing Wednesday

<p><b>July 11</b> TOWER AUTOMOTIVE INC. Hearing on approval of sale of substantially all company assets Plan of reorganization confirmation hearing U.S. Bankruptcy Court for the Southern District of New York Case # 05-10578</p> <p>PORTRAIT CORP. OF AMERICA, INC. Plan of reorganization confirmation hearing Hearing on approval of exclusivity extension U.S. Bankruptcy Court for the Southern District of New York Case # 06-22541</p> <p>OM INDUSTRIES, INC. Hearing on approval of General Electric Capital Corp. settlement U.S. Bankruptcy Court for the District of Massachusetts Case # 07-40124</p> <p>CALPINE CORP. Hearing on approval of upsized exit facility commitment Hearing on approval of plant sale claims release Hearing on approval of refinancing Blue Spruce project debt U.S. Bankruptcy Court for the Southern District of New York Case # 05-60200</p> <p><b>July 12</b> QUIGLEY CO., INC. Hearing on approval of disclosure statement U.S. Bankruptcy Court for the Southern District of New York Case # 04-15739</p> <p>COLLINS &amp; AIKMAN CORP. Plan of reorganization confirmation hearing Hearing on approval of plastics group sale U.S. Bankruptcy Court for the Eastern District of Michigan Case # 05-55927</p> <p>GLOBAL HOME PRODUCTS, LLC Hearing on termination of salaried retiree benefits U.S. Bankruptcy Court for the District of Delaware Case # 06-10430</p> <p>NELSON NUTRACEUTICAL, INC. Hearing on termination of company examination U.S. Bankruptcy Court for the District of Delaware Case # 06-10072</p> <p>GLOBAL POWER EQUIPMENT GROUP INC. Hearing on approval of exclusivity extension</p>	<p>U.S. Bankruptcy Court for the District of Delaware Case # 06-11045</p> <p><b>July 13</b> TWEETER HOME ENTERTAINMENT GROUP, INC. Final hearing on approval of junior debtor-in-possession financing Hearing on approval of asset sale U.S. Bankruptcy Court for the District of Delaware Case # 07-10787</p> <p>INTERSTATE BAKERIES CORP. Auctions for Worcester, Mass., Charlotte, N.C., properties U.S. Bankruptcy Court for the Western District of Missouri Case # 04-45814</p> <p><b>July 17</b> THE BROOKLYN HOSPITAL CENTER Hearing for approval of sale of Brooklyn outpatient treatment center Hearing on approval of disclosure statement Hearing on approval of exclusivity extension U.S. Bankruptcy Court for the Eastern District of New York Case # 05-26990</p> <p>DELPHI CORP. Auction for Mexican brake plant assets U.S. Bankruptcy Court for the Southern District of New York Case # 05-44481</p> <p>LE-NATURE'S, INC. Hearing on approval of bid procedures for Latrobe, Pa., plant sale U.S. Bankruptcy Court for the Western District of Pennsylvania Case # 06-25454</p> <p>SOLUTIONIA, INC. Hearing on approval of disclosure statement U.S. Bankruptcy Court for the Southern District of New York Case # 03-17949</p> <p><b>July 18</b> NELSON NUTRACEUTICAL, INC. Auction for sale of substantially all company assets U.S. Bankruptcy Court for the District of Delaware Case # 06-10072</p> <p>NEW YORK RACING ASSOCIATION, INC. Hearing on approval of exclusivity extension U.S. Bankruptcy Court for the Southern District of New York Case # 06-12618</p>
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*Continued on page 9*

## Distressed Debt Calendar

*Continued from page 8*

### INTERSTATE BAKERIES CORP.

Hearing on approval of sale of Worcester, Mass., property  
U.S. Bankruptcy Court for the Western District of Missouri  
Case # 04-45814

### July 19

#### NELSON NUTRACEUTICAL, INC.

Hearing on approval of sale of substantially all company assets  
U.S. Bankruptcy Court for the District of Delaware  
Case # 06-10072

### DELPHI CORP.

Hearing on approval of sale of Mexican brake plant assets  
U.S. Bankruptcy Court for the Southern District of New York  
Case # 05-44481

### July 20

#### ADELPHIA COMMUNICATIONS CORP.

Hearing on Across Media lawsuit settlement  
U.S. Bankruptcy Court for the Southern District of New York  
Case # 02-41729

### July 23

#### W.R. GRACE & CO., INC.

Hearing on approval of sale of debtor's washcoat business  
Hearing on approval of exclusivity extension  
U.S. Bankruptcy Court for the District of Delaware  
Case # 01-01139

### COMMUNICATIONS CORP. OF AMERICA

Hearing on approval of disclosure statement, hearing on termination of exclusivity  
U.S. Bankruptcy Court for the Western District of Louisiana  
Case # 06-50410

### July 24

#### DURA AUTOMOTIVE SYSTEMS, INC.

Hearing on extension of second-priority lien challenge deadline  
U.S. Bankruptcy Court for the District of Delaware  
Case # 06-11202

### MUSICLAND HOLDING CORP.

Plan of liquidation confirmation hearing  
U.S. Bankruptcy Court for the Southern District of New York  
Case # 06-10064

### WERNER HOLDING CO. (DE), INC.

Hearing on approval of disclosure statement  
U.S. Bankruptcy Court for the District of Delaware

Case # 06-10578

### CALPINE CORP.

Hearing on approval of Canadian cross-border claims settlement  
U.S. Bankruptcy Court for the Southern District of New York  
Case # 05-60200

### July 25

#### DANA CORP.

Hearing on approval of union and investment agreements  
U.S. Bankruptcy Court for the Southern District of New York  
Case # 06-10354

### July 26

#### RITCHIE RISK-LINKED STRATEGIES TRADING (IRELAND), LTD.

Final hearing on approval of debtor-in-possession financing  
U.S. Bankruptcy Court for the Southern District of New York  
Case # 07-11906

### July 27

#### SAINT VINCENT CATHOLIC MEDICAL CENTERS

Plan of reorganization confirmation hearing  
U.S. Bankruptcy Court for the Southern District of New York  
Case # 05-14945

### MARCAL PAPER MILLS, INC.

Hearing on approval of disclosure statement  
U.S. Bankruptcy Court for the District of New Jersey  
Case # 06-21886

### July 30

#### CALPINE CORP.

Auction for Acadia Power Partners interest  
U.S. Bankruptcy Court for the Southern District of New York  
Case # 05-60200

### July 31

#### TOWER RECORDS

Plan of liquidation confirmation hearing  
U.S. Bankruptcy Court for the District of Delaware  
Case # 06-10886

### Aug. 1

#### CALPINE CORP.

Sale hearing for Acadia Power Partners interest, hearing on approval of claims sell-down procedures  
Hearing on Hawaii Structural Ironworkers Pension Trust Fund's request to certify claim  
U.S. Bankruptcy Court for the Southern District of New York

*Continued on page 10*

## Distressed Debt Calendar

*Continued from page 9*

Case # 05-60200

DELPHI CORP.

Auction for catalyst business

U.S. Bankruptcy Court for the Southern District of New York

Case # 05-44481

### Aug. 3

LEGACY ESTATE GROUP, LLC

Hearing on conversion of case to Chapter 7 bankruptcy

U.S. Bankruptcy Court for the Northern District of California

Case # 05-14660

### Aug. 8

CALPINE CORP.

Hearing on approval of disclosure statement

U.S. Bankruptcy Court for the Southern District of New York

Case # 05-60200

### Aug. 14

PORT TOWNSEND PAPER CORP.

Plan of reorganization confirmation hearing

U.S. Bankruptcy Court for the Western District of Washington

Case # 07-10340

DURA AUTOMOTIVE SYSTEMS, INC.

Auction for Atwood Mobile Products division

U.S. Bankruptcy Court for the District of Delaware

Case # 06-11202

### Aug. 15

DURA AUTOMOTIVE SYSTEMS, INC.

Hearing for approval of sale of Atwood Mobile Products division

U.S. Bankruptcy Court for the District of Delaware

Case # 06-11202

### Aug. 16

DELPHI CORP.

Hearing for approval of catalyst business sale

U.S. Bankruptcy Court for the Southern District of New York

Case # 05-44481

### Aug. 20

DELTA MILLS, INC.

Hearing on approval of extension of exclusive plan vote solicitation period

U.S. Bankruptcy Court for the District of Delaware

Case # 06-11144

### Aug. 22

WESTPOINT STEVENS INC.

Hearing on dismissing Chapter 11 case

U.S. Bankruptcy Court for the Southern District of New York

Case # 03-13532

### Aug. 23

WERNER HOLDING CO. (DE), INC.

Creditors committee liquidation plan confirmation hearing

U.S. Bankruptcy Court for the District of Delaware

Case # 06-10578

### Aug. 30

TANNER & HALEY RESORTS

Hearing on approval of disclosure statement

U.S. Bankruptcy Court for the District of Connecticut

Case # 06-50245

### Sept. 5

SOLUTIA, INC.

Hearing on approval of Monsanto and retiree settlements

U.S. Bankruptcy Court for the Southern District of New York

Case # 03-17949

### Oct. 1

FEDERAL-MOGUL CORP.

Plan of reorganization confirmation hearing final arguments

U.S. Bankruptcy Court for the District of Delaware

Case # 01-10578

### Oct. 11

QUIGLEY CO., INC.

Plan of reorganization confirmation hearing

U.S. Bankruptcy Court for the Southern District of New York

Case # 04-15739

## Distressed Debt Ratings

### S&P boosts Del

Standard & Poor's said it raised its corporate credit rating on **Del Laboratories Inc.** to B- from CCC+.

At the same time, the agency said it raised the rating on the company's senior secured floating-rate debt to B from B-, the recovery rating, which was not on CreditWatch, was affirmed at 2, indicating the expectation for substantial recovery of principal in the event of a payment default.

S&P noted that it also raised ratings on the company's senior subordinated notes to CCC from CCC- while the ratings were removed from CreditWatch with developing implications, where they were placed on June 26, as a result of the trustees' notification that a default had occurred under the indentures for the company's \$185 million senior secured floating-rate notes due 2011 and its \$175 million 8% senior subordinated notes due 2012.

The outlook is stable.

According to the agency, the ratings reflect Del's highly leveraged financial risk profile, somewhat narrow product focus and highly competitive operating environment in the segments in which it competes while these factors are partly offset by its leading consumer brands in both nail care and oral analgesics.

### Moody's upgrades SunCom

Moody's Investors Service said it

upgraded **SunCom Wireless Inc.**'s corporate family and probability-of-default ratings to Caa1 from Caa3, \$245 million senior secured term loan due 2009 to B1 (LGD1, 8%) from B2 (LGD1, 3%), 9 3/8% senior subordinated notes due 2011 and 8 3/4% senior subordinated notes due 2011 to Caa3 (LGD6, 96%) from Ca (LGD5, 83%) and speculative grade liquidity rating to SGL-2 from SGL-3.

The \$715 million 8 1/2% senior notes due 2013 were affirmed at Caa2, and their loss-given-default assessment was revised to LGD4 (63%) from LGD3 (37%).

This concludes the review begun in February, and the outlook is positive.

The agency said the upgrade reflects the significant reduction in the company's debt arising from the recent implementation of a debt-to-equity exchange agreement. The positive outlook reflects the potential that SunCom's roaming revenues may have stabilized and several key operating metrics may continue to improve, as evidenced by SunCom's results over the past couple of quarters.

SunCom's Caa1 corporate family rating continues to consider the company's significant adjusted leverage of roughly 6.5x following the implementation of the debt exchange agreement, Moody's said. Furthermore, despite the reduction in interest expense, the agency believes SunCom's free cash flow profile is likely to remain modestly negative for the next few years

as capital expenditures increase from sub-maintenance levels.

### Moody's lowers Touse, rates loans B2, Caa2

Moody's Investors Service said it lowered **Touse, Inc.**'s corporate family and probability-of-default ratings to Caa2 from B3, senior unsecured notes to Caa3 (LGD5, 72%) from Caa1 and senior subordinated debt to Ca (LGD6, 91%) from Caa2. The downgrades end the review that began March 21.

Moody's also rated the company's \$200 million first-lien term loan at B2 (LGD2, 19%) and the \$300 million second-lien term loan at Caa2 (LGD4, 52%).

The outlook is negative.

Proceeds will be used to pay par of \$400 million to the senior lenders of the Transeastern joint venture.

The downgrades and negative outlook reflect the challenges of increased debt leverage in a difficult industry environment, with pro form debt leverage of 71% and negative cash flow in 2007, Moody's said. The company also has a long land supply of greater than seven years and significant exposure to the Florida market, the agency added.

## High Yield Review

## Junk hurt by sub-prime jitters; housing off, retailers too; Tembec slides on mill shutdown, FX fluctuations

By Paul Deckelman and Paul A. Harris

New York, July 10 – The junk bond market was seen lower pretty much across the board Tuesday, traders said, following the stock market down as the latter swooned on renewed investor concern about the problems of the U.S. subprime lending industry, and what kind of ripple effect it might have on other sectors of first, the housing industry, then, the economy in general.

Housing issues were particularly hard hit, as the collapse of the business of providing risky loans to marginal borrowers unable to keep up with their obligations was seen endangering the profits of such companies as **D.R. Horton Inc.**, which issued a gloomy earnings forecast, as well as **K. Hovnanian Enterprises** and **Beazer Homes USA**.

Gaming companies such as **MGM Mirage**, **Harrah's Entertainment** and **Trump Entertainment Resorts Inc.** were seen lower – particularly MGM Mirage, whose bonds were seen off 3 points or more.

**Tembec Inc.**'s bonds slid, both on bad company-specific news about another temporary closure at a company facility, and in probable response to the recently strong Canadian dollar, which makes its products much more expensive abroad.

Sources roundabout the high yield market, from the buy-side and the sell-side, were marking it lower – most people said “lower with stocks” – on Tuesday.

One buy-side source noted a flight to quality, to Treasuries in particular, and added that pretty much everything in high yield ended lower on the session in terms of price.

The buy-sider marked the broad market  $\frac{3}{4}$  to 1 $\frac{1}{4}$  points lower on the day.

Prospect News asked this source if the junk market is in correction.

“Absolutely,” the buy-sider said, adding that certain credits (**Realogy Corp.** was mentioned) were 10 points to 15 points lower since early-to-mid June, while “on-the-run high yield credits, which have just started to come off in the past week or two,” are 2 points to 3 points lower during that time-span.

Later a high yield syndicate official took

issue with the buy-side source's measure of Tuesday's market, asserting that junk was  $\frac{1}{2}$  point lower on the day.

Primary activity was suffering from the summer doldrums on the hottest day in recent memory in the Northeast, with only one name making news – **DAE Aviation (Standard Aero)**, which is expected to bring a \$325 million bond issue to market.

### Housing takes it on the chin

The problems of the subprime lending industry have been known to the financial markets for several months now – but were brought back into renewed focus Tuesday as Moody's Investors Service lowered the credit ratings over \$5 billion of bonds backed by subprime mortgages – while Standard & Poor's said it may cut the ratings on as much as \$12 billion of debt.

And – stung by criticism that they were behind the curve on the subprime meltdown – the agencies indicated that more downgrades could follow. S&P said it is also reviewing what it called the “global universe” of collateralized debt obligation structures that contain subprime mortgages. By some estimates, investors in CDOs alone stand to lose as much as \$250 billion when the dust finally settles.

With many lenders now out of business after having written shaky loans to poor credit-risk borrowers who could not keep up with their obligations and who in many cases defaulted, and other lenders now taking a tougher, more skeptical look at mortgage applications as a result – homebuilders are a major casualty, since their sales will of necessity certainly go down.

That's the case with Fort Worth, Tex.-based D.R. Horton, the second-largest U.S. homebuilder, which warned investors Tuesday that it will report a third-quarter loss after orders plunged 40%.

The company furthermore cautioned that it sees no sign of a housing rebound.

Horton said in a statement that it expects the housing environment to remain “challenging,” and said that it is planning a “significant” writedown in the value of its real estate, and

the shares fell to a three-year low.

It further said that orders dropped in every region, with the steepest declines in California and the northeast, while the average price of its homes fell 12% to \$233,672.

A trader said that from where he sat, most of the activity in homebuilders came in the credit default swaps market, where prices widened out substantially Tuesday – a sign that investors are more fearful of the possibility of a default.

He saw the D.R. Horton CDS spread widening out 23 basis points to 191-196 bps. Also wider was **KB Homes**, out 25 bps to 325-345 bps; Beazer, which had widened 35 bps to 585-605 bps., while Hovnanian's CDS widened out to 410 bps.

A trader at another desk saw Red Bank, N.J.-based Hovnanian's 8 7/8% notes due 2012 down 1 $\frac{1}{2}$  points to 90.5 bid, 91.5 offered. The company's 6 3/8% notes due 2014 were seen down 1 $\frac{1}{2}$  points at 84.

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## Bank Loans and Special Situations Reviews

### Aeroflex, Cooper-Standard set talk; R.J. O'Brien tweaks deal; ComPsych breaks

By Sara Rosenberg

New York, July 10 – **Aeroflex Inc.** and **Cooper-Standard Automotive Inc.** came out with price talk on their new deals as the transactions were launched to investors during the Tuesday session.

Also in the primary, **R.J. O'Brien & Associates Inc.** made some more changes to its credit facility, increasing pricing for a second time, revising the first-lien original issue discount and adding another year of call protection to the second-lien tranche.

Over in the secondary, **ComPsych Investments Corp.**'s credit facility freed up for trading, with the term loan quoted atop par, and general market softness took its toll on the auto sector, with names like **Lear Corp.**, **Ford Motor Co.** and **General Motors Co.** all taking a dive.

Aeroflex held a bank meeting on Tuesday at 10 a.m. ET at the Waldorf in New

York to kick off syndication on its proposed \$560 million senior secured credit facility (B1/B+), and in connection with the launch, price talk on the transaction was announced, according to a market source.

Both the \$500 million term loan and the \$60 million revolver were presented to lenders with talk in the Libor plus 275 basis points area, the source said.

The credit agreement contains a total leverage covenant.

Originally, the deal was going to be covenant-light, but the syndicate decided to add the leverage test prior to Tuesday's meeting, which had been rescheduled from June 28.

Goldman Sachs is the lead bank on the deal, which will be used to help fund the buyout of the company by Veritas Capital for \$1.1 billion. Stockholders will receive \$14.50 per share in cash.

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### Gemstar-TV Guide rises; Dow Jones dives; Greenbrier gains

By Ronda Fears

Memphis, July 10 – **Gemstar-TV Guide International Inc.**, which is controlled by News Corp., took off on its announcement to explore strategic alternatives, but traders said players are waiting for more visibility on whether it will be a piecemeal sale of its media and licensing businesses or an outright sale.

With a market capitalization of \$2.3 billion, plus a potential premium in a sale scenario, one trader said Gemstar-TV Guide could help Rupert Murdoch of News Corp. in his effort to buy out **Dow Jones & Co. Inc.** Many expect Murdoch will have to up his \$5 billion, \$60-per-share, bid, the trader said. "It may take a while to cash out of Gemstar, though," he said. But amid earnings scares Tuesday, Dow Jones (NYSE: DJ) dropped \$1.20, or 2.04%, to \$57.69.

Railcar manufacturer **Greenbrier Cos. Inc.** rocketed upward after posting better-than-anticipated results for second quarter, which traders said perpetuated market chatter pegging the company as a takeover target.

It was a negative day in the markets, however, as earnings misses and warnings compounded anxiety about the interest rate climate and soaring oil prices. But, traders said it was welcomed with open arms by players who have been shorting the roaring hot market.

"The shorts got another tailwind, but whether it will stick is another thing. They have seen this before only to have the market bounce back bigger and better than before," one trader said. "I think the market will come back and they again will be feeling some pain. But for now they have a little respite."

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## Recent DIP Facilities

Date	Issuer	Amount	Loan	Maturity	Rate	Commitment Fee	Banks
7/5/2007	Exaeris, Inc.	\$2	revolver	-	9.50%	-	Jack Kachkar
7/2/2007	MediCor Ltd.	\$1.5	revolver	1/31/2008	8.50%	-	Silver Oak Capital, LLC; HFTP
6/25/2007	Pacific Lumber Co.	\$75	revolver	1	-	50	Marathon
6/21/2007	Ritchie Risk-Linked Strategies Trading	\$30	revolver	11/1/2007	L+350	-	ABN
6/11/2007	Tweeter Home Entertainment Group, Inc.	\$60	revolver	1/11/2008	L+225	-	GECC
6/8/2007	Hancock Fabrics, Inc.	\$17.5	revolver	-	L+500	-	Ableco
5/18/2007	Blast Energy Services, Inc.	\$0.5	revolver	0.5	8%	-	Eric McAfee LLC
5/4/2007	Federal-Mogul Corp.	\$330	term loan	-	L+175	-	Citigroup, JPMorgan
5/4/2007	Sea Containers Ltd.	\$25	revolver	2	L+400	-	Caspian, Dune, Trilogy
5/4/2007	Sea Containers Ltd.	\$151.5	term loan	2	L+350	-	Caspian, Dune, Trilogy
5/1/2007	Pac-West Telecomm, Inc.	\$18.5	revolver	0.5	13%	-	Columbia Ventures Corp.
4/26/2007	All American Semiconductor, Inc.	\$25	revolver	-	Base+300	-	Harris
4/19/2007	Port Townsend Paper Corp.	\$50	term loan	8/26/2007	L+550	-	WFC
4/18/2007	Bayonne Medical Center	\$30	revolver	2	L+400	75	Kimco
4/12/2007	Joan Fabrics Corp.	\$8	revolver	0.5	Base+300	-	Banc of America

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