
DISTRESSED COMPANY ALERT

Vol. 9 No. 41

Focused on Companies Showing Signs of Distress

October 14, 2011

Profiles for Week ending October 14, 2011

Page	Company	Category
3	AuraSound, Inc.	Audit Concern
4	China Infrastructure Investment Corporation	Audit Concern
5	Dune Energy, Inc.	Low Rating
6	Integrated BioPharma, Inc.	Audit Concern
7	MedImpact Healthcare Systems, Inc.	Low Rating
8	SuperMedia Inc.	Low Rating
9	Ulterra Drilling Technologies, L.P.	Low Rating
10	Uni Core Holdings Corporation	Audit Concern
11	United American Healthcare Corporation	Audit Concern
12	Profile Updates	
14	Watch List	

Profile Highlights:

AuraSound, Inc.

In Form 10-K filed on October 13, 2011, AuraSound, Inc.'s auditor, Hein & Associates LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to Hein & Associates, the Company had negative cash flow from operating activities amounting to \$1,909,846 and an accumulated deficit of \$36,884,905. The Company is taking many measures to improve its operations and ultimate financial position. As seen by the Fiscal year 2011 results, the ASI acquisition improved revenue and profit generation opportunities. Internally, the Company has continued to invest in new product and market development resulting in possible new revenue sources. The Company is developing alternative production capacity to ultimately lower manufacturing costs and improve its ability to respond to changing customer needs.

China Infrastructure Investment Corporation

In Form 10-K filed on October 13, 2011, China Infrastructure Investment Corporation's auditor, Weinberg & Company, P.A., raised substantial doubt about the Company's ability to continue as a going concern. According to Weinberg & Company, the Company incurred a net loss of \$136,547,931 for the year ended June 30, 2011 and has a working capital deficit of \$26,990,951 at June 30, 2011. The Company plans to renew short-term loans when due and obtain long-term loans, if necessary. There can be no assurance that the Company will be successful in renewing loans or obtaining new loans.

Dune Energy, Inc.

On October 11, 2011, Standard & Poor's Ratings Services lowered its unsolicited corporate credit rating on Dune Energy, Inc. to CC from CCC- and affirmed its CC unsolicited senior secured debt rating on Dune's \$300 million 10 1/2% Senior Secured Notes due 2012. "The downgrade is based on Dune Energy's announcement that it has entered into a restructuring plan support agreement with bondholders and preferred stock holders that would exchange the existing \$300 million of notes for a combination of Dune equity, and either cash and new debt securities in an aggregate amount of \$50 million if the exchange offer is fully subscribed," said Standard & Poor's credit analyst Patrick Jeffrey. According to Standard & Poor's, the rating on Dune Energy reflects its burdensome financial leverage and weak liquidity position.

Profile Highlights: continued

Integrated BioPharma, Inc.

In Form 10-K filed on October 13, 2011, Integrated BioPharma, Inc.'s auditor, Friedman, LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to Friedman, the Company has a working capital deficiency, recurring net losses and has defaulted on its debt obligations. The Company has defaulted on all of its outstanding debt instruments in the aggregate amount of \$12,605 by failing to repay them on their respective scheduled maturity dates. The Notes Payable and Convertible Note Payable are secured by pledges of substantially all of the Company's assets.

MedImpact Healthcare Systems, Inc.

On October 10, 2011, Moody's Investors Service downgraded the corporate family rating of MedImpact Holdings, Inc., the borrowing entity for MedImpact Healthcare Systems, Inc. to Caa2 from B3. Also, the Company's probability of default rating was lowered to Caa1 from B3 and its senior secured notes to Caa3 from Caa2. According to Moody's, the downgrades to a Caa2 CFR and Caa1 PDR are based on concerns that MedImpact will not meet Moody's expectations for profitability or cash flow generation over the next 12 to 18 months. "MedImpact's EBITDA and cash flow are expected to track well below our expectations, even as sales from new clients begin to flow through," said Diana Lee, a Senior Credit Officer at Moody's. "Moody's believes that MedImpact's ability to adjust to any potential changes in vendor payment terms will be even more limited with reduced profitability, cash flow and cash balances," continued Lee.

SuperMedia Inc.

On October 5, 2011, Moody's Investors Service has changed the corporate family rating for SuperMedia Inc. to Caa1 from B3 and the probability of default rating to Caa2 from Caa1. According to Moody's, the downgrade reflects the belief that revenues will continue to decline at a double digit rate for the foreseeable future, leading to a steady decline in free cash flow. Moody's further states that the negative outlook reflects concerns that the pace of decline in revenue and new orders (as indicated by the Company's advertising sales), which is faster than had anticipated, will persist despite a recovery in overall U.S. advertising spending.

Ulterra Drilling Technologies, L.P.

On October 13, 2011, Standard & Poor's Ratings Services lowered its corporate credit rating on Ulterra Holdings Inc. to CCC+ from B-, as well as the Company's senior secured debt rating to B- from B. "The downgrade reflects the company's weak liquidity and our concern that sources of cash could be insufficient to cover its obligations or any unforeseen events," said Standard & Poor's credit analyst Marc D. Bromberg. According to Standard & Poor's, Ulterra had a weak second quarter, as the seasonal decline in Canada was larger than expected, and the Company burned through more than \$7 million of liquidity.

Uni Core Holdings Corporation

In Form 10-K filed on October 13, 2011, Uni Core Holdings Corporation's auditor, Albert Wong & Co., raised substantial doubt about the Company's ability to continue as a going concern. According to Albert Wong & Co., the Company has suffered recurring losses from operations and has a significant accumulated deficit. In addition, the Company continues to experience negative cash flows from operations. The Company will be required to raise additional capital to fund its operations, and will continue to attempt to raise capital resources from both related and unrelated parties until such time as the Company is able to generate revenues sufficient to maintain itself as a viable entity.

United American Healthcare Corporation

In Form 10-K filed on October 13, 2011, United American Healthcare Corporation's auditor, UHY LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to UHY, the Company incurred a net loss from continuing operations of \$7,522,000 for the year ended June 30, 2011, and, as of that date, had a net working capital deficiency of \$6,351,000. In order to provide the Company with the ability to continue its operations, the Company's management has instituted cost savings actions to reduce corporate overhead. To the extent the Company needs to finance its debt or other obligations, or fund capital expenditures or acquisitions, they will need to access the capital markets by, for example, issuing securities in private placements or private investments in public equities offerings.

Category: Audit Concern

AuraSound, Inc.

2850 Red Hill Avenue
Santa Ana, CA 92705
(949) 829-4000

Federal Tax ID: 20-5573204

SIC: 3651 Household Audio & Video
Equipment

Officers:

Danny Tsui - Chairman of the Board
Harald Weisshaupt - C.E.O., President & C.F.O.

Employees: 16

Company Website: www.aurasound.com

Auditor: Hein & Associates LLP

Securities:

Ticker: ARUZ Exchange: OTC
Common Stock; 16,629,654 shares outstanding as of September 29, 2011

Bank Debt:

First Lien Senior Secured Revolver due 2012, \$5 million

Business: AuraSound, Inc. engages in the development, commercialization, and sale of audio products, sound systems, and audio components using electromagnetic technology primarily in the United States, Taiwan, and the People's Republic of China. Its products include Whisper micro-audio speakers; speaker component products, such as loudspeaker transducers; home and pro audio products; automotive competition-grade speaker and component systems, such as amplifiers, loudspeakers, and subwoofers; and Bass shaker products, which are transducers that can be mounted to a fixed surface to transmit vibration. AuraSound offers its products to original equipment manufacturers of electronics comprising laptop computers, televisions, and displays through a network of sales representatives.

Balance Sheet: (*\$millions*)

	6/30/2011	6/30/2010
Total Current Liabilities	\$36.64	\$10.72
Total Liabilities	\$36.63	\$10.72
Total Current Assets	\$31.62	\$4.10
Total Assets	\$42.27	\$4.21

Income Statement: (*\$millions, except per share data*)

	6/30/2011	6/30/2010
Period	12 months ending	12 months ending
Revenue	\$76.18	\$7.50
Net Income	\$0.95	\$-2.24
Earnings Per Share	\$0.07	\$-0.48

Event: In Form 10-K filed on October 13, 2011, AuraSound, Inc.'s auditor, Hein & Associates LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to Hein & Associates, the Company had negative cash flow from operating activities amounting to \$1,909,846 and an accumulated deficit of \$36,884,905.

Source: Form 10-K
Profile Number: 452-3639

Category: Audit Concern

China Infrastructure Investment Corporation

Room D, Building 12, XinXin Huayan, Jinshui Road
Zhengzhou, Henan Province
People's Republic of China
(011) 86-375-2754377

Federal Tax ID: 88-0484183

SIC: 4700 Transportation Services

Employees: 376

Company Website: www.ciiusa.com

Auditor: Weinberg & Company, P.A.

Officers:

Li Xipeng - Chairman, C.E.O.
Li Lei - C.F.O.

Securities:

Ticker: CIIC Exchange: Nasdaq
Common Stock; 80,000,000 shares outstanding as of October 13, 2011

Business: China Infrastructure Investment Corporation, through its subsidiaries, engages in the investment, construction, operation, and management of the Pinglin Expressway in the People's Republic of China. It also involves in the rental of petrol stations and service districts along the toll roads.

Balance Sheet: (*\$millions*)

	6/30/2011	6/30/2010
Total Current Liabilities	\$62.90	\$68.04
Total Long Term Debt	\$486.79	\$441.11
Total Liabilities	\$549.68	\$509.16
Total Current Assets	\$35.91	\$6.43
Total Assets	\$602.95	\$692.64

Income Statement: (*\$millions, except per share data*)

	6/30/2011	6/30/2010
Period	12 months ending	12 months ending
Revenue	\$55.81	\$42.63
Net Income	\$-136.55	\$2.48
Earnings Per Share	\$-1.71	\$0.03

Event: In Form 10-K filed on October 13, 2011, China Infrastructure Investment Corporation's auditor, Weinberg & Company, P.A., raised substantial doubt about the Company's ability to continue as a going concern. According to Weinberg & Company, the Company incurred a net loss of \$136,547,931 for the year ended June 30, 2011 and has a working capital deficit of \$26,990,951 at June 30, 2011.

Source: Form 10-K
Profile Number: 452-3637

Category: Low Rating

Dune Energy Inc.

Two Shell Plaza, 777 Walker St., Ste. 2300
Houston, TX 77002
(713) 229-6300

Federal Tax ID: 95-4737507

SIC: 1389 Oil & Gas Field Services, Not
Elsewhere Classified

Officers:

Alan Gaines - Chairman of the Board
James A. Watt - C.E.O.
Frank T. Smith, Jr. - S.V.P., C.F.O.

Employees: 38

Company Website: www.duneenergy.com

Auditor: Malone & Bailey, PC

Securities:

Ticker: DUNR Exchange: OTC

Common Stock; 46,968,621 shares outstanding as of February 23, 2011

10 1/2% Senior Secured Notes due 2012 (CUSIP: 265338AC7); \$300,000,000 outstanding

10% Preferred Stock (CUSIP: 265338301); 155,082,000 shares outstanding

Bank Debt:

First Lien Senior Secured Term Loan due 2012, \$40 million

Business: Dune Energy, Inc., an independent energy company, engages in the exploration, development, exploitation, and production of natural gas and crude oil properties located along the Texas and Louisiana Gulf Coast. Its properties cover 100,000 gross acres across 23 producing oil and natural gas fields.

Balance Sheet: (*\$millions*)

	12/31/2010	12/31/2009
Total Current Liabilities	\$23.92	\$38.58
Total Long Term Debt	\$335.22	\$316.26
Total Liabilities	\$371.69	\$372.48
Total Current Assets	\$51.83	\$69.33
Total Assets	\$297.39	\$372.18

Income Statement: (*\$millions, except per share data*)

	12/31/2010	12/31/2009	12/31/2008
Period	12 months ending	12 months ending	12 months ending
Revenue	\$65.19	\$54.24	\$146.60
Net Income	\$-75.53	\$-141.12	\$-28.40

Event: On October 11, 2011, Standard & Poor's Ratings Services lowered its unsolicited corporate credit rating on Dune Energy, Inc. to CC from CCC- and affirmed its CC unsolicited senior secured debt rating on Dune's \$300 million 10 1/2% Senior Secured Notes due 2012. "The downgrade is based on Dune Energy's announcement that it has entered into a restructuring plan support agreement with bondholders and preferred stock holders that would exchange the existing \$300 million of notes for a combination of Dune equity, and either cash and new debt securities in an aggregate amount of \$50 million if the exchange offer is fully subscribed," said Standard & Poor's credit analyst Patrick Jeffrey.

Source: S&P

Profile Number: 452-3228

Category: Audit Concern

Integrated BioPharma, Inc.

225 Long Ave.
Hillside, NJ 07205
(888) 319-6962

Officers:

E. Gerald Kay - C.E.O.
Dina L. Masi - S.V.P., C.F.O.

Federal Tax ID: 22-2407475

SIC: 2834 Pharmaceutical Preparations

Employees: 115

Company Website: www.ibiopharma.com

Auditor: Friedman, LLP

Securities:

Ticker: INBP Exchange: OTC

Common Stock; 20,930,174 shares outstanding as of October 10, 2011

Business: Integrated BioPharma, Inc., together with its subsidiaries, manufactures, distributes, markets, and sells vitamins and nutritional supplements in the United States. It offers vitamins and nutritional supplements for sale to distributors, multilevel marketers, and specialized health-care providers, as well as through mass market, grocery, drug, and vitamin retailers under the Naturally Noni, Naturally Pomegranate, Naturally Aloe, Aloe Pure, Naturally Thai Mangosteen, Peaceful Sleep, Green Envy, 1st Choice Multi-Vitamin, ACAI Extra, ACAI Immune, and ACAI Cleanse names. The Company also sells vitamins and nutritional supplements under the private label, The Vitamin Factory, primarily through mail order catalogs and the Internet.

Balance Sheet: (*\$millions*)

	6/30/2011	6/30/2010
Total Current Liabilities	\$21.35	\$19.54
Total Liabilities	\$21.35	\$19.55
Total Current Assets	\$11.85	\$11.99
Total Assets	\$13.65	\$13.85

Income Statement: (*\$millions, except per share data*)

	6/30/2011	6/30/2010	6/30/2009
Period	12 months ending	12 months ending	12 months ending
Revenue	\$25.13	\$20.16	\$39.37
Net Income	\$-2.28	\$-5.54	\$-18.18
Earnings Per Share	\$-0.06	\$-0.21	\$-0.99

Event: In Form 10-K filed on October 13, 2011, Integrated BioPharma, Inc.'s auditor, Friedman, LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to Friedman, the Company has a working capital deficiency, recurring net losses and has defaulted on its debt obligations.

Source: Form 10-K
Profile Number: 452-3238

Category: Low Rating

MedImpact HealthCare Systems, Inc.

10680 Trenea Street, Stop 5
San Diego, CA 92131
(858) 566-2727

SIC: 6411 Insurance Agents, Brokers, and Service

Employees: 650

Officers:

Linda Wells - President
David G. Wheeler - C.F.O.

Company Website: www.medimpact.com

Securities:

10 1/2% Senior Secured Notes due 2018 (CUSIP: 584705AA5); \$230,000,000 outstanding

Business: MedImpact Healthcare Systems, Inc. operates as a pharmacy benefits management company. The Company offers prescription drug management services for corporations and employers, unions, managed care organizations, health plans, insurance carriers, and third-party administrators, as well as local, state, and federal employee programs. Its programs and services include administrative operations, such as claims processing, formulary management, network contracting and administration, benefits plan administration, rebate contracting and management, and Medicare part D-full service management; service support, including implementation services, client services, and member and pharmacy call management; clinical and consultative services; and online reporting and analytic tools.

Financials Not Available

Event: On October 10, 2011, Moody's Investors Service downgraded the corporate family rating of MedImpact Holdings, Inc., the borrowing entity for MedImpact Healthcare Systems, Inc. to Caa2 from B3. Also, the Company's probability of default rating was lowered to Caa1 from B3 and its senior secured notes to Caa3 from Caa2. According to Moody's, the downgrades to a Caa2 CFR and Caa1 PDR are based on concerns that MedImpact will not meet Moody's expectations for profitability or cash flow generation over the next 12 to 18 months.

Source: Moody's
Profile Number: 452-3640

Category: Low Rating

SuperMedia Inc.

2200 West AirField Dr., P.O. Box 619810
D/FW Airport, TX 75261
(972) 453-7000

Officers:

Peter J. McDonald - President, C.E.O.
Samuel D. Jones - E.V.P., C.F.O.

Federal Tax ID: 20-5095175

SIC: 2741 Miscellaneous Publishing

Employees: 4,400

Company Website: www.supermedia.com

Auditor: Ernst & Young LLP

Securities:

Ticker: SPMD Exchange: Nasdaq
Common Stock; 15,505,000 shares outstanding as of July 29, 2011

Bank Debt:

First Lien Senior Secured Term Loans due 2015, \$2,750 million

Business: SuperMedia Inc. provides media advertising programs in the United States. It publishes SuperYellowPages, the print directories, which offer a range of paid advertising options, such as listing options, in-column advertising options, display advertising options, and specialty advertising, as well as white pages directories. The Company also operates Superpages.com, an online local search site that provides advertisers fixed-fee and performance-based advertising options. In addition, it offers direct mailers under SuperpagesDirect name; and Superpages Mobile, an information source for wireless subscribers. Further, SuperMedia Inc. operates as an official publisher of print directories.

Balance Sheet: (*\$millions*)

	12/31/2010	12/31/2009
Total Current Liabilities	\$369.00	\$469.00
Total Long Term Debt	\$2,171.00	\$2,750.00
Total Liabilities	\$2,956.00	\$3,634.00
Total Current Assets	\$596.00	\$1,331.00
Total Assets	\$2,926.00	\$3,834.00

Income Statement: (*\$millions, except per share data*)

	12/31/2010	12/31/2009	12/31/2008
Period	12 months ending	12 months ending	12 months ending
Revenue	\$1,176.00	\$2,512.00	\$2,973.00
Net Income	\$-196.00	\$8,257.00	\$183.00
Earnings Per Share	\$-13.64	\$56.32	\$1.25

Event: On October 5, 2011, Moody's Investors Service has changed the corporate family rating for SuperMedia Inc. to Caa1 from B3 and the probability of default rating to Caa2 from Caa1. According to Moody's, the downgrade reflects the belief that revenues will continue to decline at a double digit rate for the foreseeable future, leading to a steady decline in free cash flow.

Source: Moody's
Profile Number: 452-3465

Category: Low Rating

Ulterra Drilling Technologies, L.P.

7601 Will Rogers Blvd.
Fort Worth, TX 76140
(817) 293-7555

SIC: 3533 Oil & Gas Field Machinery &
Equipment

Officers:

Warren Dyer - C.E.O., President
Ron Thomason - C.F.O.

Company Website: www.ulterra.com

Bank Debt:

First Lien Senior Secured Term Loan due 2016, \$82.5 million
First Lien Senior Secured Revolver due 2016, \$15.0 million

Business: Ulterra Drilling Technologies, L.P. designs and manufactures drilling solutions for oil and gas industries in the United States. It offers roller cone and PDC bits.

Financials Not Available

Event: On October 13, 2011, Standard & Poor's Ratings Services lowered its corporate credit rating on Ulterra Holdings Inc. to CCC+ from B-, as well as the Company's senior secured debt rating to B- from B. "The downgrade reflects the company's weak liquidity and our concern that sources of cash could be insufficient to cover its obligations or any unforeseen events," said Standard & Poor's credit analyst Marc D. Bromberg.

Source: S&P
Profile Number: 452-3641

Category: Audit Concern

Uni Core Holdings Corporation

Central Plaza, 18 Harbour Rd., Ste. 5204
Wanchai, Hong Kong
China
(852) 2827-6898

Federal Tax ID: 87-0418721

SIC: 4899 Communication Services

Employees: 675

Company Website: www.intermost.com

Auditor: Albert Wong & Co.

Officers:

Chia Hsun Wu - C.E.O.
Thomas Lee - C.F.O.

Securities:

Ticker: IMOT Exchange: OTC

Common Stock; 213,281,873 shares outstanding as of September 25, 2011

Business: Uni Core Holdings Corporation engages in providing e-commerce solutions and consulting services. The Company's e-commerce solutions comprise Website development and maintenance contracts; and consulting services include provision of information on property exchange matters. The Company was formerly known as Intermost Corporation.

Balance Sheet: (*\$millions*)

	6/30/2011	6/30/2010
Total Current Liabilities	\$14.66	\$12.42
Total Liabilities	\$14.66	\$12.42
Total Current Assets	\$12.89	\$11.27
Total Assets	\$31.09	\$32.74

Income Statement: (*\$millions, except per share data*)

	6/30/2011	6/30/2010
Period	12 months ending	12 months ending
Revenue	\$19.74	\$2.71
Net Income	\$-7.96	\$-12.84
Earnings Per Share	\$-0.0115	\$-0.0507

Event: In Form 10-K filed on October 13, 2011, Uni Core Holdings Corporation's auditor, Albert Wong & Co., raised substantial doubt about the Company's ability to continue as a going concern. According to Albert Wong & Co., the Company has suffered recurring losses from operations and has a significant accumulated deficit. In addition, the Company continues to experience negative cash flows from operations.

Source: Form 10-K
Profile Number: 452-1047

Category: Audit Concern

United American Healthcare Corporation

303 East Wacker Drive, Suite 1200
Chicago, IL 60601
(313) 252-6913

Federal Tax ID: 38-2526913

SIC: 3841 Surgical & Medical Instruments & Apparatus

Employees: 27

Company Website: www.uahc.com

Auditor: UHY LLP

Officers:

John Fife - Chairman, President & C.E.O.
Herbert J. Bellucci - President, C.E.O. of Pulsed
Robert T. Sullivan - C.F.O.

Securities:

Ticker: UAHC Exchange: OTC
Common Stock; 11,817,766 shares outstanding as of October 10, 2011

Business: United American Healthcare Corporation, together with its subsidiaries, provides management and consulting services to a managed care organization with a targeted mix of Medicaid and Medicare enrollment in Tennessee, the United States. The Company offers feasibility studies for licensure, strategic planning, corporate governance, management information systems, human resources, marketing, pre-certification, utilization review programs, individual case management, budgeting, provider network services, accreditation preparation, enrollment processing, claims processing, member services, and cost containment programs. It also arranges for the financing of healthcare services and delivery of these services by primary care physicians and specialists, hospitals, pharmacies, and other ancillary providers to commercial employer groups and government-sponsored populations.

Balance Sheet: (*\$millions*)

	6/30/2011	6/30/2010
Total Current Liabilities	\$9.11	\$5.55
Total Long Term Debt	\$3.00	\$2.90
Total Liabilities	\$12.59	\$10.64
Total Current Assets	\$2.76	\$4.84
Total Assets	\$16.92	\$20.65

Income Statement: (*\$millions, except per share data*)

	6/30/2011	6/30/2010	6/30/2009
Period	12 months ending	12 months ending	12 months ending
Revenue	\$8.35	\$0.34	\$0.00
Net Income	\$-7.13	\$-5.39	\$-8.71
Earnings Per Share	\$-0.77	\$-0.57	\$-0.81

Event: In Form 10-K filed on October 13, 2011, United American Healthcare Corporation's auditor, UHY LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to UHY, the Company incurred a net loss from continuing operations of \$7,522,000 for the year ended June 30, 2011, and, as of that date, had a net working capital deficiency of \$6,351,000.

Source: Form 10-K
Profile Number: 452-3638

Distressed Company Alert Profile Updates:

Contech Construction Products, Inc.

Previous DCA Event: Low Rating 8/3/2011

On August 3, 2011, Moody's Investors Service downgraded Contech Construction Products, Inc.'s corporate family rating to Caa2 from Caa1 and its probability of default rating to Caa3 from Caa2. According to Moody's, the downgrade of Contech's corporate family rating results from Moody's view that Contech will experience weak operating performance due to ongoing pressures in the construction industry, the main driver of Contech's revenues.

S&P Downgrades

On October 13, 2011, Standard & Poor's Rating Services lowered its ratings on Contech Construction Products, Inc., including the corporate credit rating to CCC+ from B- and senior secured credit facilities to B- from B. "The downgrade and negative CreditWatch listing reflects our assessment that continued challenging commercial construction activity and lower-than-expected residential construction activity are likely to continue to constrain Contech's operating results in the near term," said Standard & Poor's credit analyst Thomas Nadramia. "In our view, the weak operating environment has decreased the likelihood that Contech will be in a position to remain in compliance with its senior secured bank credit facilities...."

Hovnanian Enterprises, Inc.

Previous DCA Event: Low Rating 9/8/2011

On September 8, 2011, Moody's Investors Service downgraded the corporate family and probability of default ratings of Hovnanian Enterprises, Inc. to Caa2 from Caa1, as well as the Company's first lien senior secured notes to B2 from B1 and senior unsecured notes to Caa3 from Caa2. According to Moody's, the downgrade reflects Hovnanian's continued operating losses, weak gross margins, very high homebuilding debt leverage, and Moody's expectation that the weakness in year-over-year revenues, deliveries, and net new contracts experienced by the Company will continue for the next one to two years.

S&P Downgrades

On October 5, 2011, Standard & Poor's Ratings Services lowered its corporate credit rating on Hovnanian Enterprises, Inc. to CC from CCC, its first-lien senior secured notes to CC from CCC and senior unsecured notes to C from CC. "The downgrade follows Hovnanian's announcement that its K. Hovnanian subsidiary has commenced an offer to exchange certain existing senior notes with coupons ranging from 6.25% to 11.875% scheduled to mature between 2014 through 2017 for new 2% secured notes to mature in 2021," said credit analyst George Skoufis. According to S&P's criteria, they view this as a "distressed exchange" and tantamount to a default.

Travelport Limited

Previous DCA Event: Update 9/21/2011

On September 21, 2011, Standard & Poor's Ratings Services lowered its long-term corporate credit ratings on Travelport Holdings Limited and its indirect subsidiary Travelport LLC to CC from CCC, as well as the Company's senior secured debt to CCC- from CCC+, senior unsecured debt to C from CCC- and its various subordinated debt instruments to C from CC. According to Standard & Poor's, the downgrade follows the announcement of a capital restructuring, which has become necessary because of the group's high leverage, weak liquidity, and the upcoming maturity of its \$693 million (as of end-June 2011) payment-in-kind loan in March 2012.

S&P Further Downgrades

On October 5, 2011, Standard & Poor's Ratings Services lowered its long-term corporate credit ratings on Travelport Holdings Limited and indirect subsidiary Travelport LLC to SD from CC and the Company's subordinated payment-in-kind (PIK) loan to D from C. Travelport's other subordinated debt instruments were affirmed at C and its senior secured debt facilities were affirmed at CCC- and its senior unsecured notes at C. According to Standard & Poor's, the downgrades follow the implementation of a capital restructuring, which was necessary because of the Travelport group's high leverage, weak liquidity, and the upcoming maturity of its \$693 million (as of end-June 2011) PIK loan in March 2012. According to S&P's criteria, they view this restructuring as a distressed exchange and tantamount to a default.

Distressed Company Alert Profile Updates: continued

William Lyon Homes

Previous DCA Event: Update 10/4/2011

In Form 8-K filed on October 4, 2011, William Lyon Homes did not make the semi-annual interest payment on its notes of \$7,486,192.50 due on October 1, 2011. The borrower did not make that interest payment as scheduled and currently plans to make use of the thirty-day grace period provided by the indenture governing the notes. Non-payment of interest on the scheduled due date is not an event of default under the indenture unless the interest payment is not made within such thirty-day grace period. If the borrower does not make the interest payment by October 31, 2011, however, the trustee for the notes (or holders of at least 25% of the outstanding principal amount of the notes) would be permitted under the terms of the indenture to accelerate the borrower's obligation to repay the notes by providing written notice of acceleration to the borrower.

S&P Downgrades

On October 11, 2011, Standard & Poor's Ratings Services lowered its corporate credit rating on William Lyon Homes to D from CC and lowered the rating on the Company's \$138.8 million 10.75% unsecured notes due 2013 to D from C. "We lowered the issue rating because William Lyon failed to make its scheduled Oct. 1, 2011, semiannual interest payment of \$7.5 million on its outstanding \$138.8 million 10 3/4% Senior Unsecured Notes due April 1, 2013," said credit analyst Matthew Lynam. "The indenture governing the 2013 senior notes allows for a 30-day grace period. However, the company did not make the scheduled interest payment within five business days of the due date. We lowered our corporate credit rating to 'D' because we believe the company will fail to meet its remaining obligations as they come due."

The following companies had their ratings affirmed:

Continental Airlines Inc. – *Standard & Poor's Ratings Services*

Corporate credit rating affirmed

The following companies had their ratings upgraded:

Brixmor LLC (f/k/a Centro NP LLC) – *Moody's Investors Service*

Senior unsecured debt rating upgraded to Caa1 from Caa2

Brixmor LLC (f/k/a Centro NP LLC) – *Standard & Poor's Ratings Services*

Corporate credit and unsecured debt ratings raised to B from CCC+

Continental Airlines Inc. – *Standard & Poor's Ratings Services*

Senior unsecured and second-lien debt raised to B- from CCC+

First Bancorp (FirstBank Puerto Rico) – *Moody's Investors Service*

Issuer Rating upgraded to B3 from Caa2

OSO Senior Unsecured OSO Rating upgraded to B3 from Caa2

Senior Unsecured Regular Bond/Debenture upgraded to B3 from Caa2

Horizon Lines, Inc. – *Moody's Investors Service*

Corporate family and probability of default ratings upgraded to Caa2 from Caa3

Level 3 Communications, Inc. – *Moody's Investors Service*

Corporate family and probability of default ratings upgraded to B3 from Caa1

Senior Unsecured Conv./Exch. Bond/Debenture upgraded to Caa2 from Caa3

Senior Unsecured Bond/Debenture upgraded to Caa2 from Caa3

Distressed Company Alert Watch List:

The following company had their ratings downgraded, but not quite low enough:

J Jill Acquisition LLC (Jill Holdings LLC)* – *Moody's Investors Service*

Corporate family and probability of default ratings downgraded to B3 from B2

\$120 million senior secured term loan due 2017 downgraded to B3 from B2

LG Electronics Inc. (Korea) – *Standard & Poor's Ratings Services*

Long-term corporate credit rating lowered to BBB- from BBB

Senior unsecured debt rating lowered to BBB- from BBB.

Premier Foods plc (United Kingdom) – *Fitch Ratings*

Long-term Issuer Default Rating downgraded to BB- from BB

Topaz Power Holdings, LLC (Austin, TX) – *Moody's Investors Service*

Senior secured credit facilities downgraded to B1 from Ba3

The following (proposed) bonds were assigned below a “B” rating:

Horizon Lines, Inc. – *Moody's Investors Service*

Senior Secured Regular Bond/Debenture assigned a Caa2 rating

Kinetic Concepts, Inc. (San Antonio, TX) – \$900 million senior unsecured notes due 2019

Moody's Investors Service: Assigned a Caa1 rating

Standard & Poor's Ratings Services: Assigned a CCC+ rating

Laredo Petroleum, Inc. (Tulsa, OK) – *Moody's Investors Service*

New senior unsecured notes due 2019 assigned a Caa2 rating

** Please note that we will not have profiles on the above companies until, or unless, they qualify for our criteria, which is defined on the last page of this issue.

* Previously profiled in the DCA

Alert Categories:

The goal of the *Distressed Company Alert* newsletter is to alert subscribers of significant recent events reported by U.S. Public Companies indicating possible distress.

The Categories Triggering an Alert:

- Default:

A missed interest or principal payment on a debt obligation.

- Covenant Violation:

A violation of a covenant in an agreement or indenture governing a debt obligation.

- Audit Concern:

A qualification as to the Company's ability to continue as a going concern is reported by its independent accountants in an annual report.

- Low Rating:

A major ratings agency has downgraded a Company's publicly traded debt or any other rating to below a "B" rating, indicating vulnerability to default.

- Debt at Significant Discount:

The Company's public debt trades with a current yield or yield-to-maturity in excess of eight points over long-term Treasury bond rate.

- Preferred Dividend Omission:

The Company omits a dividend on its preferred stock.

- Miscellaneous

The editors determine a recent event that represents distress or challenges the future prospects of the Company.

DISCLAIMER: Company Profiles in the *Distressed Company Alert* are selected by the editors because, in their opinion, the occurrence of such an event or the existence of such a circumstance is a likely indicator of current or prospective financial or operating difficulty. The inclusion of a profile suggests the possibility of financial distress or the possibility that the Company may be of interest to workout professionals for some other reason. *Inclusions do not represent analysis of the condition of the Company or a definitive determination that the Company is in difficulty.*

ACCURACY & COVERAGE: The information presented has been obtained from sources believed to be reliable, but accuracy cannot be guaranteed. Do not rely on the *Distressed Company Alert* without independent verification.

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