
DISTRESSED COMPANY ALERT

Vol. 7, No. 42

Focused on Companies Showing Signs of Distress

October 16, 2009

Profiles for Week ending October 16, 2009

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Profile Highlights:

Champion Enterprises, Inc.

On October 15, 2009, Standard & Poor's Ratings Services lowered its corporate credit ratings on Champion Enterprises, Inc. and its wholly owned subsidiary, Champion Home Builders Co., to D from CC and also lowered the rating on the subsidiary's secured credit facility to D from C. "The rating actions reflect Champion's failure to make recent interest and principal payments on its rated bank debt," said credit analyst George Skoufis. "Champion has entered into a waiver and forbearance agreement that waives certain financial covenants and forbears the lender group from accelerating the maturity of the outstanding borrowings under the credit agreement until Oct. 31, 2009, subject to certain triggering events."

China Aoxing Pharmaceutical Co., Inc

In Form 10-K filed on October 14, 2009, China Aoxing Pharmaceutical Co., Inc.'s auditor, Paritz & Company, P.A., raised substantial doubt about the Company's ability to continue as a going concern. According to Paritz & Company, the Company's current liabilities substantially exceeded its tangible current assets. In addition, the Company is in default of the repayment of note payable-bank of \$6,094,428. The Company sustained a loss from operations of \$4,003,065 for the year ended June 30, 2009. The Company is exploring various alternatives to improve its financial position and continues to meet its obligations. Management is focusing on improving its operations and seeking additional debt and/or equity financing or debt restructuring. There can be no assurance that any of these efforts will be fruitful.

Escalon Medical Corp.

In Form 10-K filed on October 13, 2009, Escalon Medical Corp.'s auditor, Mayer Hoffman McCann P.C., raised substantial doubt about the Company's ability to continue as a going concern. According to Mayer Hoffman McCann, this is due to the commencement of debt payments on the debt related to the Brocode Hycel acquisition and continued losses from operations and negative cash flows from operating activities. This going concern disclosure could adversely affect the Company's ability to obtain favorable financing terms in the future or to obtain any additional financing if needed.

Profile Highlights: *continued*

Flint Telecom Group, Inc.

In Form 10-K filed on October 13, 2009, Flint Telecom Group, Inc.'s auditor, L.L. Bradford & Company, LLC, raised substantial doubt about the Company's ability to continue as a going concern. According to L.L. Bradford & Company, the Company has suffered losses from operations, negative cash flows from operations and current liabilities exceed current assets. Flint had a net loss of \$14,562,263 and \$3,860,654 for the years ended June 30, 2009 and 2008, respectively, negative cash flow from operating activities of \$4,689,451 for the year ended June 30, 2009, an accumulated stockholder's deficit of \$21,035,869 and a working capital deficit of \$10,221,511 as of June 30, 2009.

HD Supply, Inc.

On October 12, 2009, Moody's Investors Service lowered HD Supply, Inc.'s corporate family and probability of default ratings to Caa1 from B3. According to Moody's, the downgrade reflects an expectation of further erosion in HDS' credit metrics due to the prolonged downturn in the North American economy and the resulting impact across several of the Company's business units. Moody's further states that HDS is attempting to minimize the negative impact of this downturn on its operating margins and cash generation by reducing its workforce and closing underutilized branches. Notwithstanding these efforts, HDS' ability to generate meaningful levels of operating earnings and free cash flow for debt reduction will be difficult to achieve due to the trend of lower earnings.

Implant Sciences Corporation

In Form 10-K filed on October 13, 2009, Implant Sciences Corporation's auditor, UHY LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to UHY, the Company has had recurring net losses and continues to experience negative cash flows from operations. The Company may not have sufficient cash and liquid assets at June 30, 2009 to cover operating capital requirements for the next twelve-month period and if sufficient cash cannot be obtained they would have to substantially alter operations, or may be forced to discontinue operations.

Integrated BioPharma, Inc.

In Form 10-K filed on October 13, 2009, Integrated BioPharma, Inc.'s auditor, Amper, Politziner & Mattia, LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to Amper, Politziner & Mattia, the Company has a working capital deficiency and recurring net losses and is in the process of seeking additional capital. The Company has not yet secured sufficient capital to fund its operations. The Company has historically raised capital in private placements, however, continues to sustain losses and negative operating cash flows. Additionally, current economic conditions may cause a decline in business and consumer spending which could adversely affect business and financial performance.

Legend Media, Inc.

In Form 10-K filed on October 15, 2009, Legend Media, Inc.'s auditor, Goldman Parks Kurland Mohidin LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to Goldman Parks Kurland Mohidin, the Company has incurred a loss of \$6,432,061 and has a working capital deficit of \$2,989,916. The Company did not generate significant revenues during the fiscal year ended June 30, 2009 and consumed cash in operating activities of approximately \$2,873,355.

Nutrition 21, Inc.

In Form 10-K filed on October 13, 2009, Nutrition 21, Inc.'s auditor, J.H. Cohn LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to J.H. Cohn, the Company has incurred significant losses for several years and has relied on financing activities to supplement cash from operations and is past due or in forbearance agreement for \$4.4 million of debt at June 30, 2009. In addition, the Company has a working capital deficiency of approximately \$2.5 million and an accumulated deficit of \$129.2 million at June 30, 2009. The Company is considering all strategic options to improve its liquidity and provide it with working capital to fund its operations including further reducing its expenditures, disposal of selective assets, attaining further operating efficiencies, restructuring debt financing and ultimately generating additional high-margin revenues.

Profile Highlights: continued

OmniReliant Holdings, Inc.

In Form 10-K filed on October 9, 2009, OmniReliant Holdings, Inc.'s auditor, KBL LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to KBL, the Company has incurred significant recurring losses from operations since inception and is dependent on outside sources of financing for continuation of its operations. The Company's ability to continue as a going concern for a reasonable period is dependent upon its ability to raise sufficient capital to implement their business plan and to generate profits sufficient to become financially viable.

Santa Fe Gold Corporation

In Form 10-K filed on October 13, 2009, Santa Fe Gold Corporation's auditor, Stark Winter Schenkein & Co., LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to Stark Winter Schenkein & Co., the Company has suffered recurring losses from operations, has no current source of operating revenues, has a working capital deficit and needs to secure financing to remain a going concern. The Company has incurred a net loss of \$5,535,596 for the fiscal year ended June 30, 2009, and has a total accumulated deficit of \$52,977,460 and a working capital deficit of \$3,852,303 at June 30, 2009.

Vertical Branding, Inc.

In Form 8-K filed on October 14, 2009, Vertical Branding, Inc. announced that the Company's restructuring efforts have failed to achieve expectations or intended results and the Company lacks sufficient cash flow to maintain normal operations and meet its current financial obligations. The Company's Board is presently reviewing the Company's options for reorganization, recapitalization or other methods of deriving value from the Company's assets to satisfy the Company's liabilities. Because of its working capital shortage, the Company has substantially reduced operating expenses by laying off all but three employees and by suspending various operations. The Company also announced the resignation of Nancy Duitch as the Company's Chief Executive Officer. Ms. Duitch remains a member of the Board.

Distressed Company Alert Profile Update:

The following companies were previously reported in the *Distressed Company Alert*:

CIT Group Inc.

Previous DCA Event: Miscellaneous 10/1/2009

On October 1, 2009, CIT Group Inc. announced that it has commenced a restructuring of its capital structure that has been approved by the Company's Board of Directors and by the Steering Committee of CIT's bondholders. Under the plan, CIT Group Inc. and CIT Group Funding Company of Delaware LLC are launching exchange offers for certain unsecured notes. If the Company does not achieve the objectives of the exchange offers, it may decide to initiate a voluntary filing under Chapter 11 of the U.S. Bankruptcy Code.

SEC Update

On October 13, 2009 CIT Group Inc. announced that its Chairman and Chief Executive Officer, Jeffrey M. Peek, has informed the Board of Directors that he plans to resign from CIT effective December 31, 2009. The Board is forming a Search Committee to oversee the recruitment process and ensure a smooth leadership transition at the Company. "CIT's recently launched restructuring plan is designed to enhance its capital levels, bolster liquidity and return the Company to profitability," said Mr. Peek.

Coinmach Service Corp.

Previous DCA Event: Low Rating 9/25/2009

On September 25, 2009, Standard & Poor's ratings Services lowered its ratings, including the corporate credit rating, on Coinmach Service Corp. to CCC+ from B-. Standard & Poor's also lowered the issue-level ratings on the Company's unsecured debt consisting of \$175 million 10 1/8% Senior Notes due 2015 and \$225 million 11.68% Senior Subordinated Notes due 2015 to CCC- from CCC. "The downgrade reflects our concerns about the potential for a near-term covenant breach and continued negative free cash flow generation while incurring additional cash interest expense after the conversion of its subordinated notes to cash pay," said Standard & Poor's credit analyst Christopher Johnson.

S&P Ratings Update

On October 9, 2009, Standard & Poor's Ratings Services lowered its corporate credit rating on Coinmach Service Corp. to SD from CCC+, and lowered its senior subordinated notes due 2015 to D from CCC-. According to Standard & Poor's, the rating action followed the Company's partial exchange of its subordinated notes to payment-in-kind (PIK) preferred securities of its parent. Immediately after the exchange, Standard & Poor's raised its corporate credit rating on Coinmach to CCC from SD and withdrew the issue ratings on the Company's senior unsecured notes and senior subordinated notes at the Company's request.

Meridian Resource Corporation, The

Previous DCA Event: Update 10/6/2009

In Form 8-K filed on October 6, 2009, The Meridian Resource Corporation and certain of its subsidiaries entered into the First Amendment to Forbearance and Amendment Agreement, dated September 30, 2009, and the Second Amendment to Forbearance and Amendment Agreement, dated October 2, 2009, each of which amend the Forbearance and Amendment Agreement with Fortis Capital Corp., as administrative agent, and the other lenders and agents party to the Company's Amended and Restated Credit Agreement, as amended by the First Amendment to Credit Agreement dated as of February 25, 2008, and further amended by the Second Amendment to Credit Agreement dated as of December 19, 2008.

SEC Update

In Form 8-K filed on October 15, 2009 The Meridian Resource Corporation announced that the First Forbearance Amendment was extended from September 30, 2009 to October 2, 2009, and the Second Forbearance Amendment further extended to October 7, 2009, the date by which the Fortis Forbearance Agreement will terminate if, by such date, they have not entered into a Transaction Agreement. Subsequently, the Lenders agreed to extend such date of termination to October 14, 2009, and on that date agreed to further extend such date of termination to October 16, 2009.

Distressed Company Alert Profile Update: *continued*

Morris Publishing Group, LLC

Previous DCA Event: Update 10/2/2009

On October 2, 2009, Morris Publishing Group, LLC announced that its senior bank group has agreed to extend until October 9, 2009 the waiver of the cross defaults arising from the overdue interest payments on its senior subordinated notes. Morris Publishing previously obtained forbearance until October 16, 2009 with respect to such overdue interest payments from holders of over seventy-five percent of the senior subordinated notes.

Forbearance Update

On October 9, 2009, Morris Publishing Group, LLC announced that its senior bank group has agreed to extend until October 16, 2009 the waiver of the cross defaults arising from the overdue interest payments on its senior subordinated notes. Morris Publishing previously obtained forbearance until October 16, 2009 with respect to such overdue interest payments from holders of over seventy-five percent of the senior subordinated notes.

Nortek, Inc.

Previous DCA Event: Update 9/3/2009

In a press release filed on September 3, 2009, NTK Holdings, Inc. and Nortek, Inc. announced that the Company entered into a Restructuring and Lockup Agreement with a substantial portion of its bond holders to effectuate a comprehensive restructuring of the Company's debt. When concluded, the Agreement will eliminate approximately \$1.3 billion in total indebtedness, providing considerable financial strength and flexibility to the Company's balance sheet. The Company has entered into the Agreement with certain holders of, in aggregate, at least 66-2/3% of the outstanding principal amount of the 8 1/2% Notes, as well as a substantial portion of the outstanding amount of the 10 3/4% Notes and 10% Notes.

Financing Update

On October 9, 2009, Nortek, Inc. announced that it has secured a commitment for a \$250-million asset-based revolving credit facility in conjunction with its prepackaged plan of reorganization, which includes an undertaking to use commercially reasonable efforts to form a syndicate of lenders to increase the facility to \$300 million. The credit facility, which will be available upon consummation of the Prepackaged Plan, will be provided by a group of lenders including Bank of America, N.A.; GE Capital, Restructuring Finance; Wells Fargo Foothill LLC; Wells Fargo Foothill Canada ULC; and PNC Bank National Association.

Quality Distribution, Inc.

Previous DCA Event: Low Rating 9/1/2009

On September 1, 2009, Standard & Poor's Ratings Services lowered its corporate credit rating on Quality Distribution, Inc. to CC from B-. At the same time, the ratings on subsidiary Quality Distribution LLC's senior unsecured and subordinated debt issues were lowered to C from CCC+. "The rating actions follow the Tampa, Fla.-based bulk tank trucking company's announcement that it is commencing an exchange offer," said Standard & Poor's credit analyst Anita Ogbara. "The exchange offer will purchase various securities, in addition to soliciting consents from holders of the existing notes, to eliminate or waive restrictive covenants and certain events of default, and modify covenants regarding mergers and consolidations and other provisions in the indentures," she continued.

S&P Update

On October 15, 2009, Standard & Poor's Ratings Services lowered its long-term corporate credit rating on Quality Distribution, Inc. to SD from CC and the ratings on subsidiary Quality Distribution LLC's senior unsecured and subordinated debt issues were lowered to D from C. "The rating actions follow the Tampa, Fla.-based bulk tank trucking company's announcement that its exchange and tender offers have expired," said Standard & Poor's credit analyst Anita Ogbara. "On review of the new capital structure and liquidity position, we will assign a new corporate credit rating, representing the default risk, post-financial-restructuring," she continued.

Distressed Company Alert Profile Update: continued

Simmons Company

Previous DCA Event: Update 10/1/2009

In a press release filed on October 1, 2009, Simmons Bedding Company, a subsidiary of Simmons Company announced that, in connection with the restructuring plan it disclosed on Friday, September 25, 2009, it has reached agreements with the majority of its senior bank lenders and the majority of the holders of its \$200 million 7 7/8% Senior Subordinated Notes to extend their forbearance periods from September 30, 2009 to November 16, 2009. The senior bank lenders' extension is subject to continued progress under the Plan.

Prepack Announced

In a press release filed on October 13, 2009, Simmons Bedding Company, a subsidiary of Simmons Company announced that, they have begun a formal solicitation of votes from their creditors for their previously disclosed prepackaged plan of reorganization. The solicitation includes Simmons Bedding's senior bank lenders, holders of its 7 7/8% Senior Subordinated Notes, and holders of Simmons' 10% Discount Notes. The consent solicitation will expire on November 12, 2009, unless extended.

The following Companies had their ratings affirmed:

Conseco, Inc. – *Moody's Investor Service*

Senior secured bank debt affirmed at Caa1

Senior unsecured convertible debentures affirmed at Caa3

Conseco, Inc. – *Standard & Poor's Ratings Services*

Counterparty credit rating affirmed at CCC

GenCorp Inc. – *Standard & Poor's Ratings Services*

Corporate credit rating affirmed at CCC+

The following Companies had their ratings upgraded:

Advanstar Inc. – *Standard & Poor's Ratings Services*

Corporate credit rating upgraded to CCC+ from SD

First lien notes upgraded to CCC+ from CCC

Avis Budget Group, Inc. – *Standard & Poor's Ratings Services*

Corporate credit rating upgraded to B- from CCC+

Best Brands Corporation – *Moody's Investor Service*

Corporate family and probability of default rating upgraded to Caa1 from Caa3

First lien revolving credit facility and term loan B upgraded to B3 from Caa2

Second lien term loan C upgraded to Caa2 from Ca

Headwaters Incorporated – *Standard & Poor's Ratings Services*

Corporate credit rating raised to B from CCC+

Convertible subordinated notes raised to CCC+ from CCC

Sinclair Broadcast Group, Inc. – *Standard & Poor's Ratings Services*

Senior secured second-lien notes raised to B- from CCC+

Category: Low Rating

Champion Enterprises, Inc.

755 W. Big Beaver, Ste. 1000
Troy, MI 48084
(248) 614-8200

Federal Tax ID: 38-2743168

SIC: 2451 Mobile Homes

Employees: 4,100

Officers:

William C. Griffiths - Chairman, CEO & President
Phyllis A. Knight - E.V.P., CFO
Richard Hevelhorst - V.P.

Company Website:
www.championhomes.net

Auditor: Ernst & Young LLP

Securities:

Ticker: CHB Exchange: NYSE

Common Stock; 77,633,804 shares outstanding as of February 16, 2009

2 3/4% Senior Notes due 2037 (CUSIP: 158496AC3); \$180,000,000 outstanding

7 5/8% Senior Notes due 2009 (CUSIP: 158496AB5); \$6,716,000 outstanding

Business: Champion Enterprises, Inc., together with its subsidiaries, produces factory-built housing in the United States and western Canada. It also produces steel-framed modular buildings in the United Kingdom for use as prisons, military accommodations, hotels, residential units, and other commercial applications.

Balance Sheet: (\$millions)

| | 1/3/2009 | 12/29/2007 |
|---------------------------|----------|------------|
| Total Current Liabilities | \$187.63 | \$318.33 |
| Total Long Term Debt | \$300.85 | \$342.90 |
| Total Liabilities | \$558.19 | \$702.38 |
| Total Current Assets | \$150.20 | \$360.41 |
| Total Assets | \$645.10 | \$1,022.22 |

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

| | 1/3/2009 | 12/29/2007 | 12/30/2006 |
|--------------------|------------------|------------------|------------------|
| Period | 12 months ending | 12 months ending | 12 months ending |
| Revenue | \$1,033.19 | \$1,273.46 | \$1,364.65 |
| Net Income | (\$199.46) | \$7.20 | \$138.31 |
| Earnings Per Share | (\$2.57) | \$0.09 | \$1.81 |

Event: On October 15, 2009, Standard & Poor's Ratings Services lowered its corporate credit ratings on Champion Enterprises, Inc. and its wholly owned subsidiary, Champion Home Builders Co., to D from CC and also lowered the rating on the subsidiary's secured credit facility to D from C. "The rating actions reflect Champion's failure to make recent interest and principal payments on its rated bank debt," said credit analyst George Skoufis.

Source: S&P
Profile Number: 348-2905

Category: Audit Concern

China Aoxing Pharmaceutical Co., Inc.

15 Exchange Place, Ste. 500
Jersey City, NJ 08302
(646) 367-1747

Federal Tax ID: 65-0636168

SIC: 2834 Pharmaceutical Preparations

Officers:

Zhenjiang Yue - CEO
Hongyue Hao - Acting CFO

Employees: 360

Auditor: Paritz & Company, P.A.

Securities:

Ticker: CAXG Exchange: OTC

Common Stock; 91,669,562 shares outstanding as of October 9, 2009

Business: China Aoxing Pharmaceutical Co., Inc., a specialty pharmaceutical company, engages in the research, development, manufacture, and distribution of various narcotics and pain management products in China. Its product line includes prescription and over-the-counter pharmaceutical products. The Company's products include Naloxone, an opioid antagonist for pain, shock, alcoholism, and cerebral infarction; Oxycodone, a derivative of the semi-synthetic opioid, alkaloid thebaine for acute pain; Tilidine, a opioid analgesic drug used in the treatment of moderate to severe pain associated with cancer, post surgery, and other forms of pain; and Buprenorphine, an opioid used as an analgesic.

Balance Sheet: (*\$millions*)

| | 6/30/2009 | 6/30/2008 |
|---------------------------|-----------|-----------|
| Total Current Liabilities | \$20.12 | \$18.48 |
| Total Long Term Debt | \$4.10 | \$4.10 |
| Total Liabilities | \$32.11 | \$30.99 |
| Total Current Assets | \$6.94 | \$5.25 |
| Total Assets | \$56.74 | \$56.13 |

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

| | 6/30/2009 | 6/30/2008 |
|--------------------|------------------|------------------|
| Period | 12 months ending | 12 months ending |
| Revenue | \$8.94 | \$7.07 |
| Net Income | (\$2.70) | \$3.65 |
| Earnings Per Share | (\$0.03) | \$0.08 |

Event: In Form 10-K filed on October 14, 2009, China Aoxing Pharmaceutical Co., Inc.'s auditor, Paritz & Company, P.A., raised substantial doubt about the Company's ability to continue as a going concern. According to Paritz & Company, the Company's current liabilities substantially exceeded its tangible current assets. In addition, the Company is in default of the repayment of note payable-bank of \$6,094,428. The Company sustained a loss from operations of \$4,003,065 for the year ended June 30, 2009.

Source: Form 10-K
Profile Number: 348-3243

Category: Audit Concern

Escalon Medical Corp.

435 Devon Park Dr., Bldg. 100
Wayne, PA 19087
(610) 686-6830

Officers:

Richard J. DePiano - Chairman, CEO
Robert M. O'Connor - CFO

Federal Tax ID: 33-0272839

SIC: 3845 Electromedical &
Electrotherapeutic Apparatus

Employees: 183

Company Website: www.escalonmed.com

Auditor: Mayer Hoffman McCann P.C.

Securities:

Ticker: ESMC **Exchange:** Nasdaq

Common Stock; 7,526,430 shares outstanding as of September 30, 2009

Business: Escalon Medical Corp., together with its subsidiaries, engages in the development, manufacture, marketing, and distribution of medical devices and pharmaceuticals in the areas of ophthalmology, diabetes, hematology, and vascular access. It provides instruments for blood cell counting and blood analysis; and supplies the reagent and other consumable materials needed to operate the instruments. The Company also sells diabetic testing products, including DS5 that measures long-term glucose control in diabetic patients; and Hb-Gold, which provides for the in-vitro measurement of certain genetic diseases of the blood. In addition, Escalon Medical Corp. offers equipment for use in the field of human and veterinary hematology.

Balance Sheet: (*\$millions*)

| | 6/30/2009 | 6/30/2008 |
|---------------------------|-----------|-----------|
| Total Current Liabilities | \$6.85 | \$6.03 |
| Total Long Term Debt | \$4.74 | \$0.25 |
| Total Liabilities | \$12.62 | \$7.36 |
| Total Current Assets | \$17.56 | \$16.57 |
| Total Assets | \$25.06 | \$31.90 |

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

| | 6/30/2009 | 6/30/2008 | 6/30/2007 |
|--------------------|------------------|------------------|------------------|
| Period | 12 months ending | 12 months ending | 12 months ending |
| Revenue | \$34.60 | \$30.21 | \$38.84 |
| Net Income | (\$12.97) | (\$15.06) | \$5.91 |
| Earnings Per Share | (\$1.82) | (\$2.36) | \$0.93 |

Event: In Form 10-K filed on October 13, 2009, Escalon Medical Corp.'s auditor, Mayer Hoffman McCann P.C., raised substantial doubt about the Company's ability to continue as a going concern. According to Mayer Hoffman McCann, this is due to the commencement of debt payments on the debt related to the Brocode Hycel acquisition and continued losses from operations and negative cash flows from operating activities.

Source: Form 10-K
Profile Number: 348-3240

Category: Audit Concern

Flint Telecom Group, Inc.

327 Plaza Real, Ste. 319
Boca Raton, FL 33432
(561) 394-2748

Officers:

Vincent Browne - CEO
Stephen Keaveney - CFO

Federal Tax ID: 36-3574355

SIC: 3669 Communications Equipment, Not Elsewhere Classified

Employees: 21

Company Website: www.flinttel.com

Auditor: L.L. Bradford & Company, LLC

Securities:

Ticker: FLTT **Exchange:** OTC

Common Stock; 71,294,702 shares outstanding as of October 9, 2009

Business: Flint Telecom Group, Inc., a holding company, offers a portfolio of IP communications products and services to the United States and international telecommunication markets. The Company, through its subsidiaries, provides various communication solutions which include hosted digital phone, voice and data termination, wireless, cable, and prepaid calling products and services.

Balance Sheet: (*\$millions*)

| | 6/30/2009 | 6/30/2008 |
|---------------------------|-----------|-----------|
| Total Current Liabilities | \$18.25 | \$4.44 |
| Total Liabilities | \$21.93 | \$8.61 |
| Total Current Assets | \$8.03 | \$1.64 |
| Total Assets | \$23.29 | \$3.20 |

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

| | 6/30/2009 | 6/30/2008 |
|--------------------|------------------|------------------|
| Period | 12 months ending | 12 months ending |
| Revenue | \$34.34 | \$3.15 |
| Net Income | (\$14.56) | (\$3.86) |
| Earnings Per Share | (\$0.31) | (\$0.14) |

Event: In Form 10-K filed on October 13, 2009, Flint Telecom Group, Inc.'s auditor, L.L. Bradford & Company, LLC, raised substantial doubt about the Company's ability to continue as a going concern. According to L.L. Bradford & Company, the Company has suffered losses from operations, negative cash flows from operations and current liabilities exceed current assets.

Source: Form 10-K
Profile Number: 348-3239

Category: Low Rating

HD Supply, Inc.

3100 Cumberland Blvd., Ste. 1700
Atlanta, GA 30339
(770) 852-9000

Federal Tax ID: 75-2007383

SIC: 7389 Business Services, Not Elsewhere
Classified

Officers:

Joseph J. DeAngelo - CEO, President
Mark T. Jamieson - S.V.P., CFO

Employees: 3,946

Company Website: www.hdsupply.com

Auditor: Unaudited

Securities:

13 1/2% Senior Subordinated Notes due 2015 (CUSIP: 40415RAD7); \$1,329,974,075 outstanding
12% Senior Notes due 2014 (CUSIP: 40415RAB1); \$2,500,000,000 outstanding

Business: HD Supply is a leading wholesale distribution company, providing a broad range of products and services to professional customers in the Infrastructure & Energy, Maintenance, Repair & Improvement and Specialty Construction markets. With a diverse portfolio of market-leading businesses, HD Supply is one of the largest diversified wholesale distributors in North America, with approximately 900 locations.

Balance Sheet: (*\$millions*)

| | 8/2/2009 | 2/1/2009 |
|---------------------------|------------|------------|
| Total Current Liabilities | \$1,258.00 | \$1,342.00 |
| Total Long Term Debt | \$5,725.00 | \$6,046.00 |
| Total Liabilities | \$7,578.00 | \$7,930.00 |
| Total Current Assets | \$3,195.00 | \$3,413.00 |
| Total Assets | \$8,802.00 | \$9,218.00 |

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

| | 8/2/2009 | 2/1/2009 |
|------------|-----------------|-----------------|
| Period | 9 months ending | 9 months ending |
| Revenue | \$5,867.00 | \$8,024.00 |
| Net Income | (\$168.00) | (\$120.00) |

Event: On October 12, 2009, Moody's Investors Service lowered HD Supply, Inc.'s corporate family and probability of default ratings to Caa1 from B3. According to Moody's, the downgrade reflects an expectation of further erosion in HDS' credit metrics due to the prolonged downturn in the North American economy and the resulting impact across several of the Company's business units.

Source: Moody's
Profile Number: 348-2894

Category: Audit Concern

Implant Sciences Corporation

600 Research Dr.
Wilmington, MA 01887
(978) 752-1700

Federal Tax ID: 04-2837126

SIC: 3829 Measuring & Controlling Devices

Officers:

Glenn D. Bolduc - CEO, President & CFO

Employees: 30

Company Website:

www.implantsciences.com

Auditor: UHY LLP

Securities:

Ticker: IMSC Exchange: OTC

Common Stock; 15,424,195 shares outstanding as of October 6, 2009

Business: Implant Sciences Corporation engages in the development, manufacture, and marketing of products for the medical device and explosives detection industry. Its core technology involves ion implantation and thin film coatings of radioactive and nonradioactive materials

Balance Sheet: (*\$millions*)

| | 6/30/2009 | 6/30/2008 |
|---------------------------|-----------|-----------|
| Total Current Liabilities | \$11.41 | \$9.63 |
| Total Long Term Debt | \$0.09 | \$0.11 |
| Total Liabilities | \$11.58 | \$10.20 |
| Total Current Assets | \$2.42 | \$4.72 |
| Total Assets | \$6.66 | \$12.10 |

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

| | 6/30/2009 | 6/30/2008 |
|--------------------|------------------|------------------|
| Period | 12 months ending | 12 months ending |
| Revenue | \$7.19 | \$4.55 |
| Net Income | (\$12.75) | (\$10.74) |
| Earnings Per Share | (\$0.96) | (\$0.65) |

Event: In Form 10-K filed on October 13, 2009, Implant Sciences Corporation's auditor, UHY LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to UHY, the Company has had recurring net losses and continues to experience negative cash flows from operations.

Source: Form 10-K

Profile Number: 348-1048

Category: Audit Concern

Integrated BioPharma, Inc.

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

Officers:

Dina L. Masi - CFO
E. Gerald Kay - CEO

Securities:

Ticker: INBP Exchange: OTC
Common Stock; 20,249,442 shares outstanding as of October 9, 2009

Federal Tax ID: 22-2407475

SIC: 2834 Pharmaceutical Preparations

Employees: 115

Company Website: www.ibiopharma.com

Auditor: Amper, Politziner & Mattia , LLP

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*)

| | 6/30/2009 | 6/30/2008 |
|---------------------------|-----------|-----------|
| Total Current Liabilities | \$14.89 | \$10.21 |
| Total Liabilities | \$18.93 | \$25.53 |
| Total Current Assets | \$11.97 | \$17.52 |
| Total Assets | \$16.48 | \$31.53 |

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

| | 6/30/2009 | 6/30/2008 |
|--------------------|------------------|------------------|
| Period | 12 months ending | 12 months ending |
| Revenue | \$39.37 | \$43.87 |
| Net Income | (\$18.18) | (\$18.17) |
| Earnings Per Share | (\$0.99) | (\$1.28) |

Event: In Form 10-K filed on October 13, 2009, Integrated BioPharma, Inc.'s auditor, Amper, Politziner & Mattia, LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to Amper, Politziner & Mattia, the Company has a working capital deficiency and recurring net losses and is in the process of seeking additional capital. The Company has not yet secured sufficient capital to fund its operations.

Source: Form 10-K
Profile Number: 348-3238

Category: Audit Concern

Legend Media, Inc.

Rm. 609, Gehva Tower A.
Quinglong Hutong Bldg. No. 1
Beijing, 100007 China
(86-10) 848-7177

Federal Tax ID: 87-0602435

SIC: 7380 Misc. Business

Company Website: www.legend-media.com

Officers:

Ju BaoChun - CEO
Jeffrey Dash - CFO

Auditor: Goldman Parks Kurland Mohidin
LLP / Gruber & Company, LLC

Securities:

Ticker: LEGEE Exchange: OTC

Common Stock; 112,813,355 shares outstanding as of October 12, 2009

Business: Legend Media, Inc. engages in the development and management of a technology platform that deploys advertisements across its various advertising mediums in the People's Republic of China.

Balance Sheet: (*millions*)

| | 6/30/2009 | 6/30/2008 |
|---------------------------|-----------|-----------|
| Total Current Liabilities | \$6.67 | \$4.79 |
| Total Liabilities | \$6.67 | \$4.79 |
| Total Current Assets | \$3.68 | \$4.91 |
| Total Assets | \$11.08 | \$14.49 |

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

| | 6/30/2009 | 6/30/2008 |
|--------------------|------------------|------------------|
| Period | 12 months ending | 12 months ending |
| Revenue | \$9.99 | \$4.73 |
| Net Income | (\$6.43) | (\$1.55) |
| Earnings Per Share | (\$0.10) | (\$0.35) |

Event: In Form 10-K filed on October 15, 2009, Legend Media, Inc.'s auditor, Goldman Parks Kurland Mohidin LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to Goldman Parks Kurland Mohidin, the Company has incurred a loss of \$6,432,061 and has a working capital deficit of \$2,989,916.

Source: Form 10-K
Profile Number: 348-2899

Category: Audit Concern

Nutrition 21, Inc.

4 Manhattanville Rd.
Purchase, NY 10577
(914) 701-4500

Federal Tax ID: 11-2653613

SIC: 2836 Biological Products, Except Diagnostic Substances

Officers:

John H. Gutfreund - Chairman of the Board
Michael A. Zeher - CEO, President
Alan J. Kirschbaum - CFO, VP-Finance

Employees: 20

Company Website: www.nutrition21.com

Auditor: J.H. Cohn LLP

Securities:

Ticker: NXXI **Exchange:** Nasdaq
Common Stock; 75,181,383 shares outstanding as of October 10, 2009

Business: Nutrition 21, Inc., a nutritional bioscience company, develops, markets, and distributes proprietary and clinically substantiated nutritional supplements in the United States. The Company sells Chromax branded chromium picolinate to vitamin and supplement and food manufacturers and marketers, as well as directly to retailers for use in human and animal nutrition products. It also develops and commercializes Diabetes Essentials, a proprietary, non-prescription, insulin sensitizer for people with type 2 diabetes. In addition, the Company offers a portfolio of health and wellness products under the Iceland Health Maximum Strength Omega-3, Iceland Health Joint Relief, Iceland Health Advanced Memory Formula, Chromax chromium picolinate, Prescriptix Supplements, and Diabetes Essentials names.

Balance Sheet: (*\$millions*)

| | 6/30/2009 | 6/30/2008 |
|---------------------------|-----------|-----------|
| Total Current Liabilities | \$11.48 | \$14.30 |
| Total Long Term Debt | \$1.20 | \$2.15 |
| Total Liabilities | \$25.90 | \$32.23 |
| Total Current Assets | \$8.99 | \$10.52 |
| Total Assets | \$14.82 | \$39.63 |

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

| | 6/30/2009 | 6/30/2008 | 6/30/2007 |
|--------------------|------------------|------------------|------------------|
| Period | 12 months ending | 12 months ending | 12 months ending |
| Revenue | \$39.26 | \$46.36 | \$40.65 |
| Net Income | (\$21.81) | (\$16.94) | (\$19.15) |
| Earnings Per Share | (\$0.31) | (\$0.27) | (\$0.33) |

Event: In Form 10-K filed on October 13, 2009, Nutrition 21, Inc.'s auditor, J.H. Cohn LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to J.H. Cohn, the Company has incurred significant losses for several years and has relied on financing activities to supplement cash from operations and is past due or in forbearance agreement for \$4.4 million of debt at June 30, 2009. In addition, the Company has a working capital deficiency of approximately \$2.5 million and an accumulated deficit of \$129.2 million at June 30, 2009.

Source: Form 10-K
Profile Number: 348-3241

Category: Audit Concern

OmniReliant Holdings, Inc.

14375 Myerlake Circle
Clearwater, FL 33760
(813) 885-5998

Officers:

Paul Morrison - CEO, President
Robert DeCecco - CFO

Federal Tax ID: 54-2153837

SIC: 2844 Perfumes, Cosmetics & Other
Toilet Preparations

Employees: 9

Company Website: www.omnireliant.com

Auditor: KBL, LLP

Securities:

Ticker: ORHI **Exchange:** OTC

Common Stock; 119,650,641 shares outstanding as of October 8, 2009

Business: OmniReliant Holdings, Inc. builds global brands through domestic and international direct marketing channels and licensing agreements. The Company specializes in celebrity and lifestyle brands including beauty, fitness, spa, fragrance and home.

Balance Sheet: (*\$millions*)

| | 6/30/2009 | 6/30/2008 |
|---------------------------|-----------|-----------|
| Total Current Liabilities | \$7.07 | \$6.47 |
| Total Long Term Debt | \$1.95 | 0.00 |
| Total Liabilities | \$9.03 | \$6.47 |
| Total Current Assets | \$7.53 | \$4.79 |
| Total Assets | \$15.09 | \$7.57 |

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

| | 6/30/2009 | 6/30/2008 |
|--------------------|------------------|------------------|
| Period | 12 months ending | 12 months ending |
| Revenue | \$9.55 | \$0.42 |
| Net Income | (\$2.63) | (\$15.40) |
| Earnings Per Share | (\$0.39) | (\$2.71) |

Event: In Form 10-K filed on October 9, 2009, OmniReliant Holdings, Inc.'s auditor, KBL LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to KBL, Company has incurred significant recurring losses from operations since inception and is dependent on outside sources of financing for continuation of its operations.

Source: Form 10-K
Profile Number: 348-3242

Category: Audit Concern

Santa Fe Gold Corporation

1128 Pennsylvania NE, Ste. 200
Albuquerque, NM 87110
(505) 255-4852

Federal Tax ID: 84-1094315

SIC: 1000 Metal Mining

Officers:

Lawrence G. Olson - Chairman of the Board
W. Pierce Carson - CEO, President & CFO

Employees: 32

Auditor: Stark Winter Schenkein & Co., LLP

Securities:

Ticker: SFEG Exchange: OTC

Common Stock; 83,723,208 shares outstanding as of October 7, 2009

Business: Santa Fe Gold Corporation engages in the acquisition, exploration, and development of mineral properties in the United States. The Company explores primarily for gold, silver, copper, mica, and micaceous iron oxide deposits. Its principal projects include the Summit silver-gold property and the Ortiz gold project, which are located in New Mexico; and the Black Canyon mica project located in Arizona.

Balance Sheet: *(\$millions)*

| | 6/30/2009 | 6/30/2008 |
|---------------------------|-----------|-----------|
| Total Current Liabilities | \$4.51 | \$4.08 |
| Total Liabilities | \$19.66 | \$10.08 |
| Total Current Assets | \$0.66 | \$3.36 |
| Total Assets | \$16.77 | \$8.85 |

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

| | 6/30/2009 | 6/30/2008 |
|--------------------|------------------|------------------|
| Period | 12 months ending | 12 months ending |
| Revenue | \$0.07 | 0.00 |
| Net Income | (\$5.54) | (\$4.42) |
| Earnings Per Share | (\$0.07) | (\$0.06) |

Event: In Form 10-K filed on October 13, 2009, Santa Fe Gold Corporation's auditor, Stark Winter Schenkein & Co., LLP, raised substantial doubt about the Company's ability to continue as a going concern. According to Stark Winter Schenkein & Co., the Company has suffered recurring losses from operations, has no current source of operating revenues, has a working capital deficit and needs to secure financing to remain a going concern.

Source: Form 10-K
Profile Number: 348-3244

Category: Miscellaneous

Vertical Branding, Inc.

16000 Ventura Blvd., Ste. 301
Encino, CA 91436
(818) 926-4900

Federal Tax ID: 13-3579974

SIC: 5960 Nonstore Retailers

Officers:

Nancy Duitch - CEO
Victor Brodsky - VP, CFO

Employees: 27

Company Website:

www.verticalbranding.com

Auditor: Holtz Rubenstein Reminick LLP

Securities:

Ticker: VBDG Exchange: OTC

Common Stock; 29,243,263 shares outstanding as of March 31, 2008

Business: Vertical Branding, Inc., through its subsidiaries, engages in the marketing and sale of household, beauty, and personal care products in the United States. The Company offers its products to retailers, such as mass merchants, department stores, and drug stores, as well as to home shopping channels, catalogue proprietors, and international distributors. It also engages in the development, rental, and/or sale of commercial real estate properties in Granby, Connecticut.

Balance Sheet: (*\$millions*)

| | 12/31/2007 | 12/31/2006 |
|---------------------------|------------|------------|
| Total Current Liabilities | \$7.85 | \$7.30 |
| Total Long Term Debt | \$4.45 | \$6.55 |
| Total Liabilities | \$12.30 | \$14.35 |
| Total Current Assets | \$8.09 | \$7.93 |
| Total Assets | \$17.15 | \$17.74 |

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

| | 12/31/2007 | 12/31/2006 |
|--------------------|------------------|------------------|
| Period | 12 months ending | 12 months ending |
| Revenue | \$36.34 | \$23.11 |
| Net Income | (\$3.45) | (\$2.76) |
| Earnings Per Share | (\$0.16) | (\$0.17) |

Event: In Form 8-K filed on October 14, 2009, Vertical Branding, Inc. announced that the Company's restructuring efforts have failed to achieve expectations or intended results and the Company lacks sufficient cash flow to maintain normal operations and meet its current financial obligations. The Company's Board is presently reviewing the Company's options for reorganization, recapitalization or other methods of deriving value from the Company's assets to satisfy the Company's liabilities.

Source: Form 8-K
Profile Number: 348-3237

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 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.

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