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HIG seeks majority stake in Supra Telecom

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HIG Capital of Miami would invest $24 million and gain majority ownership of Supra Telecom of Miami under a proposal presented in bankruptcy court earlier Friday.

The move would end majority ownership by Olukayode Ramos, Supra's founder, who stepped down in January as chief executive officer and director.

HIG would gain 56 percent of Supra stock and have three seats on Supra's five-member board under the proposal. Supra's management would also get a 10 percent stake in the local telephone company.

BellSouth (NYSE: BLS), Supra's biggest competitor and creditor, fought the move in court on Friday, arguing it was a "smoke and mirrors" effort meant to deflect attention from a move to appoint a trustee to run Supra.

Spura asked Judge Robert A. Mark to approve a letter of intent on the deal, which would be subject to further due diligence.

He deferred a decision on the letter of intent until Feb. 11. But he agreed to Supra's request to delay start of a trial in bankruptcy court to determine whether a trustee should be appointed. Supra's lawyers said the delay would provide more time to focus on the letter of intent with HIG rather than deposing witnesses on the trustee issue.

The judge expressed concerns about the lack of a definitive agrement between Supra and HIG that would detail the timetable and other details of how creditors would be paid. Supra said the plan would ultimately result in all creditors being fully repaid.

A potential sticking point on the deal is that HIG wants exclusivity in negotiating the

deal to acquire Supra, because Managing Partner Douglas Berman said it will spend $750,000 just performing due diligence. The firm has already had four meetings with Ramos and spent a day with Supra's management team.

He said the firm had not spent enough time with Supra's senior managers to offer an opinion on their qualifications to run the company. In pushing for a trustee, BellSouth has been attacking new CEO Russ Lambert and other officials as too beholden to Ramos.

Mark said he was pleased the case had progressed given the many disputes between BellSouth and Supra, saying it was not "the system of failure" depicted by BellSouth lawyer Paul Singerman.

Supra has paid BellSouth roughly $100 million since the bankruptcy case began in October 2002. The two sides are now trying to narrow a $26 million gap — $10 million estimated by Supra vs. $36 million claimed by BellSouth — that would wind up the process.

Mark said on Feb. 11 he may need to hear more testimony from Supra on why the HIG deal would be preferable to another suitor.