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Judge rejects Supra sale, says bankrupt firm should be shopped around

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Eric Ostroff / *February 12, 2004*

By Jenni Bergal
February 12, 2004

A federal bankruptcy judge on Wednesday rejected a proposal that would have allowed a venture capital company to buy a majority interest in Supra Telecom Inc., the bankrupt Miami-based discount telephone service reseller.

At a five-hour hearing, U.S. Bankruptcy Judge Robert A. Mark in Miami decided that H.I.G. Capital of Miami should not be allowed to enter an exclusive agreement with Supra because he wanted the deal to be shopped around the business community.

Supra filed for Chapter 11 bankruptcy in October 2002. The company, which provides local and long-distance service, is a competitor of BellSouth Corp., from which it leases lines and equipment and resells to its own customers.

Under the proposal rejected by Mark, H.I.G. would have entered into a deal with Supra in which it would have infused $24 million of equity into the company. In return, H.I.G. would have gotten 56 percent of Supra stock when it emerged from bankruptcy and would have helped get additional financing.

Olukayode Ramos, Supra's former CEO and founder, also would have retained a 44 percent share in the company.

The judge, however, was concerned about a "no-shop" or exclusive deal, and asked Supra to put together another proposal that would address his concerns and come back in two weeks.

"BellSouth is very pleased by this because they think that leaving Ramos with an

equity slice and not maximizing the value of the debtor's enterprise would have been wrong," said BellSouth attorney James Fierberg.

Attorney Michael Budwick, who represents Supra, said he thought the proposal had been "excellent because it provided for creditors to be paid in full and would have allowed a quick exit from bankruptcy."

Budwick said Supra will come back to the court with a revised letter of intent with H.I.G. that might include a plan to "shop" the deal to other interested investors.

BellSouth, which is Supra's largest creditor, had asked the court to appoint a trustee for Supra. A hearing to discuss that request scheduled for next week has been postponed.

The Miami-based H.I.G. is a large equity and venture capital investment firm that has bought other companies that were in bankruptcy, including Fort Lauderdale cargo carrier Amerijet.