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Supra Telecom bankruptcy case anything but friendly

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By Kevin Gale

In a friendly bankruptcy case, a draft plan of reorganization might be circulated for creditors and other interested parties to review and comment on, Judge Robert A. Mark said in his Miami court recently.

But he remarked that “friendly is not likely a word to be used” in Supra Telecom’s case, prompting a burst of laughter on both sides of the courtroom.

It was a moment of levity in a case that otherwise resembles a telecom mud wrestling match.

BellSouth (NYSE: BLS) of Atlanta, Supra’s largest creditor, seems to miss few opportunities in bankruptcy court to attack the credibility of what is also its largest competitor for local telephone service.

On the other side, Supra said this week it has settled litigation with BellSouth, which has reduced bills prior to July 2002 from \$120 million to \$18 million.

This could be the home run Mark said Supra might need when the case was just getting under way near the end of 2002.

Supra CEO Russ Lambert said Tuesday the company will file a plan to emerge from Chapter 11 within the next 30 to 60 days. Revenue increased from \$127 million in 2002 to \$156 million last year and Supra was able to invest in building out its network.

An outside investor could accelerate that process, but Lambert said Supra has the ability to succeed on its own as well.

But BellSouth has questioned the integrity of Olukayode Ramos, the former CFO for



a Nigerian sugar company who founded Supra. BellSouth's filings point to related party transactions, past legal disputes and an indictment in Nigeria. Allegedly, one of Ramos' company's received \$9.2 million to build a fertilizer plant, but never did.

With the dollar amount owed to BellSouth slashed, it seems the key issue left isn't whether Supra Telecom will survive, but whether BellSouth will be able to obliterate any hold Ramos has left on it.

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Ramos has shown plenty of willingness to fight BellSouth, from Public Service Commission dockets in Tallahassee to U.S. District Court in Fort Lauderdale, where an antitrust case was filed.

Last month, he stepped down as CEO and Supra proposed that the company be overseen by two outside directors and Lambert, who had been COO. Not satisfied, BellSouth has pushed for a court-appointed trustee to run the company.

Of recent note, BellSouth attacked a deal for the sale of Supra's headquarters, which served as collateral for three loan transactions to Ramos, one of his companies (Idowu) and his brother-in-law, Supra executive Abdul Olasewere.

BellSouth says the loans totaled \$1.61 million, but Supra received only \$1.45 million.

"Now, the debtor reveals for the first time that the three pre-petition loans were not fully secured," a BellSouth court filing states.

BellSouth is also upset the \$75,454.19 left after all the disbursements on the closing statement were going to Idowu and Ramos to pay capital gains, rather than going into the bankruptcy estate.

Ramos would have 18 months to pay the remaining amounts.

"There can be but one conclusion drawn from the settlement motion," BellSouth's filing states. "Even at this late date, in the face of the Trustee Motion and the subsequent record which this Court has created relating to the self-dealing of Ramos and the possible implication of present management for the Debtor, the self-dealing, dishonesty, mismanagement, incompetence, fabrications and lies for the



benefit of Ramos continue unabated.”

But Mark delayed consideration of appointing a trustee because HIG Capital, a Miami venture capital firm, has expressed interest in investing \$24 million for a 56 percent stake in Supra. HIG would have three board members and Ramos would have two, representing his 44 percent remaining stake. HIG’s stake would let it decide who runs Supra.

BellSouth questioned whether that plan was in the best interest of creditors.

“This case screams for an independent fiduciary,” said BellSouth lawyer Paul Singerman, of the firm Berger Singerman, on Feb. 6.

Mark wouldn’t agree to let Supra enter into a letter of intent and indicated he believed Supra was obligated to go to the marketplace and solicit whether there are other investors who may be willing to infuse more capital, said Supra lawyer Michael Budwick, with the firm Meland Budwick, P.A.

“We think if the deal we proposed is fair and equitable and provides for creditors to be paid in full, Supra is not obligated to do that,” Budwick said.

“While we don’t completely agree with the legal analysis behind the judge’s decision, it’s an area that’s really not fully developed with case law,” Lambert said.

Supra will try to comply with the judge’s request, he said, thinking Mark has a good motive in trying to ensure the bankruptcy plan is confirmable.

HIG could walk away, but it continues to be in close contact with Supra and could consider modifying the letter of intent to ease the judge’s concerns, Lambert said, calling them a great investor partner.

Besides the capital investment, HIG is prepared to find \$20 million to help Supra build out its network, he said. “We like the fact that they are local, too, and have extensive experience in Chapter 11 scenarios and have such a strong track record.”

With litigation no longer pending with BellSouth and the CPA firm of Morrison Brown and Argiz putting the final touches on three years’ worth of audits on Supra, investors might have a much different opinion on the company than when the



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bankruptcy case started.

A New York-based firm that has invested in competitive local phone companies looked at HIG's offer, Lambert said. "They said it was a reasonably good offer and they decided not to outbid it."