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CLIENT ALERT¹

Telecom Transactions in Times of Economic Distress

What many on Wall Street have long suspected, the convulsive changes over the last few days have now demonstrated beyond doubt. U.S. financial markets and the economy are undergoing an upheaval not seen since the Great Depression. With the demise of venerable investment banks (Bear Stearns, Merrill Lynch, Lehman Brothers Holdings, Inc.) to the subprime mortgage crisis, a massive credit crunch may soon lead to a flurry of bankruptcies in other industries. While still a little early to tell, the telecom industry may prove no exception.

For the telecom veteran, all this is hauntingly familiar. Think back to the bursting of the 90's bubble that led to the bankruptcies of numerous "CLECs" and "Dot-Coms," culminating in the WorldCom scandal and reorganization. Last week's bankruptcy petition by Lehman Brothers Holdings, Inc., anticipating an asset ("363") sale of some \$639 billion, will be some six times larger than that of WorldCom, which had \$104 billion in assets at the time of its filing.

This client alert serves as a brief refresher on transactions with distressed carriers. The U.S. Bankruptcy Code (recently amended by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005) creates protections for bankrupt carriers that affect both enterprise and other (*e.g.*, wholesale) customers. A primer on that topic, published by our Firm lawyers during the WorldCom era, has been dusted off and attached to this alert. We hope that you do - or on second thought, don't - find it useful.

But if you do, please let us know. We are pleased to report that we have expanded our practice in both our Atlanta and our (new) D.C. offices with a number of bankruptcy veterans.

¹ THIS COMPLIMENTARY CLIENT ALERT IS PROVIDED TO CLIENTS AND FRIENDS OF SAPRONOV & ASSOCIATES, P.C. FOR TUTORIAL PURPOSES ONLY AND IS NOT TO BE CONSTRUED AS A LEGAL OPINION OR LEGAL ADVICE. PLEASE CONTACT US AT INFO@WSTELECOMLAW.COM IF YOU HAVE QUESTIONS ABOUT THIS DISCLAIMER OR ABOUT THE CONTENTS OF THIS ALERT.

Robert J. Butler, formerly a partner in the bankruptcy group at Wiley Rein, has substantial experience in handling both general bankruptcy matters and telco-related issues such as the interplay of FCC regulation and the Bankruptcy Code and utilities issues under Section 366 of the Code. He participated extensively in the Worldcom bankruptcy on behalf of more than a dozen telephone company creditors, has represented both creditors and debtors with respect to claim, preference, and contract disputes, and has argued appeals of complex statutory interpretation issues before the E.D. Va., the S.D.N.Y., the Seventh Circuit and, most recently – in oral argument against Martin Bienstock, the former head of Weil Gotshall’s Bankruptcy Practice - before the Second Circuit U.S. Court of Appeals.

Mark Del Bianco was formerly counsel in the telecom group at Skadden, Arps, Meagher & Flom LLP. During the telecom/Internet crash, Mark worked on the transactional aspects of numerous bankruptcies either in conjunction with Skadden’s bankruptcy group (usually representing and advising creditors or lenders) or as telecom counsel assisting the bankruptcy counsel for debtors-in-possession.

Thomas (“Tom”) E. Austin specializes in the representation of financial institutions and other business entities in civil matters. Mr. Austin regularly represents financial institutions, corporations and individual clients in matters involving, among other things, creditor’s rights in bankruptcy cases, real estate and other loan workouts, business disputes, and litigation at all levels. Specialties include loan restructuring, bankruptcy representation and bank-related litigation.

As always, if you have any questions or comments, please call us at (770) 399-9100 or contact us at www.wstelecomlaw.com