

Yellow Media strikes deal to end debt-swap dispute

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Yellow Media Inc. President and Chief Executive Officer Marc Tellier poses for a photograph prior to the company's quarterly results meeting in Montreal, Thursday, May 6, 2010.

GRAHAM HUGHES/THE CANADIAN PRESS

As its lawyers try to convince a judge to allow its controversial recapitalization plan to go ahead, Yellow Media struck a deal with disgruntled debenture holders that will see them drop their opposition in exchange for a bigger piece of the

restructured company.

The Montreal-based company pitched a plan in the spring that would allow its creditors to take over the troubled company and all but wipe out common shareholders. The company said it is necessary to deal with its \$1.8-billion debt load, although it is still posting quarterly profits.

Those who hold the company's convertible unsecured debentures felt they were being treated unfairly, receiving less than those who held less senior debt. To appease them, the company said Wednesday it would amend the proposal to put another \$25-million in senior secured notes into their hands.

It added it would also make good on debt payments that were due to the debenture holders on Oct. 1, and give them about \$650,000 to cover their legal expenses.

The company said it needs to restructure because it is carrying too much debt and much of it is set to come due in the next year. Revenue is declining at its printed Yellow Pages division, and digital revenue isn't growing fast enough to make up the difference.

But many shareholders, who once bought the shares for the steady dividends they paid (those stopped recently), argued that since the company is still making money it shouldn't be allowed to restructure its debt at their expense.

In its last quarter, Yellow Media earned \$67.7-million, although revenues decreased 16.4 per cent to \$286.5-million.

The case is now before a Quebec court, and a decision could still be several weeks away.