

Document 0654

[20654001]

Leaseway Transportation Corp. said it will restructure \$ 192.5 million of certain subordinated debentures to reduce its debt obligations and interest expense .

[20654002]

The 13.25 % subordinated debentures due 2002 were issued in August 1987 as part of the \$ 690 million financing for a leveraged buy-out of the company .

[20654003]

Leaseway provides transportation services for manufacturers , distributors and retailers .

[20654004]

Leaseway said it has begun discussions with certain institutional debt holders to review the proposed private placement transaction , which would exchange the debt for new subordinated debt instruments and equity securities .

[20654005]

Specific terms are subject to review and a final agreement with debt holders , the company said .

[20654006]

But the proposed transaction calls for an exchange of the debt for new debentures of lower face value and reduced cash interest .

[20654007]

Also , debt holders would be offered an equity position in Leaseway , which in total would represent a controlling interest in the company .

[20654008]

Drexel Burnham Lambert Inc. is the adviser on the transaction .

[20654009]

Company officials said Leaseway fulfilled payment requirements of its debt obligations since the leveraged buy-out , but our performance since the [buy-out] makes it imperative to implement actions that will further improve our cash flow .