

Bankrupt Yellow suspends auction of 147 leased terminals until Dec. 18



Yellow put leased properties up for auction alongside owned terminals on Nov. 28, selling two leases to XPO. Photo credit: Kingfishcafe / Shutterstock.com.

William B. Cassidy, Senior Editor | Dec 7, 2023, 1:17 PM EST

Just days after raising \$1.9 billion by selling 128 mostly company-owned terminals, defunct trucking company Yellow is suspending the auction of an even larger group of leased facilities, according to documents filed with the Delaware Bankruptcy Court.

The auction of Yellow's leased properties, which began Nov. 28, was adjourned Wednesday and will "reconvene" Dec. 18, "with further instructions to be provided to qualified bidders for such remaining leased properties," the bankrupt less-than-truckload (LTL) company said in its filing.

The postponement is a reminder that Yellow's assets are much more extensive than the \$1.9 billion worth of terminals sold at auction to 22 bidders on Tuesday. Only two of

Yellow's 149 leased properties have been sold so far, going to LTL rival XPO as part of an \$870 million package.

That leaves 147 leased facilities and 46 company-owned terminals still on the auction block. All 323 properties — known to the court as Yellow's "real property assets" — went up for sale by auction at the same time. The company-owned terminals still up for sale include some of Yellow's largest facilities.

The remaining properties are likely worth hundreds of millions of dollars at auction, and the auction of the leases and remaining real estate, along with the ongoing liquidation of equipment, is expected to bring Yellow's final take from the Chapter 11 bankruptcy reorganization well above \$2 billion.

'Leased' auction rules more complex

Yellow did not give a reason for the suspension of the leased property auction, but the rules for auctioning leased properties — in which the lease changes hands for cash — are more complex than those for the outright sale of property such as a company-owned truck terminal or trailer yard.

For one, bidders on leased properties must provide assurances to the property owner that they can assume the bid and meet future obligations. Debtors auctioning leased properties also need to make good on any money owed to the lessors under existing contracts before they can be transferred.

Property owners can challenge the transfer of a lease, and they will have time to do so under the auction rules agreed to by Yellow and the Delaware Bankruptcy Court. Landlords may try to buy back the leases themselves as bidders at auction to block the sale of leases below market values.

One of Yellow's landlords, Estes Express Lines, is seeking nearly \$28 million from Yellow for back rent and damages to 14 leased facilities. Some of the properties require millions of dollars in repairs, Estes said in a Nov. 3 filing with the Delaware Bankruptcy Court. Subleases to other businesses complicate the dispute.

Yellow previously asked the bankruptcy court for permission to walk away from leases at 37 properties, including its Nashville, Tenn., headquarters and former headquarters in Overland Park, Kan. In an Aug. 31 filing, the company said some of those leases had already been terminated prior to bankruptcy.

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