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Battered Portugal Telecom shareholders have been advised to give the 'thumbs up' to the proposed merger with Brazil's Oi.

The Institutional Shareholders Services has analysed the deal and say that the terms of the merger between Portugal Telecom and Oi are beneficial to the shareholders of PT.

The merger is the one and only topic on the agenda at a general meeting of PT shareholders scheduled for September 8, 2014.

The international consultants from Institutional Shareholders Services have taken into account the Portugal Telecom debt position with the Espírito Santos subsidiary Rioforte, which still owes PT €900 million, and the near halving of the PT share price in the past month as a result of Rioforte being unable to repay the money, and then applying swiftly for court protection from its creditors.

If the deal as it stands would benefit PT shareholders, the Brazilians may well push for further amendments and provisos as they now clearly have the upper hand in any further negotiations.

PT is said to be tearing itself apart at board level and the staff morale is near rock-bottom.

The general assembly will decide on the merger agreement with Oi but it may be better for PT management to walk away and rebuild the shattered company before doing anything rash on terms beneficial to only one side of the proposed partnership.

The reason given by Institutional Shareholders Services for the 'yes' vote seems a poor one i.e. that "the rejection of the proposal may bring more risks than benefits," hardly a compelling business argument.

The 'yes' opinion is not shared by ATM, an association that represents the minority holders of Portuguese Telecom stock, which has called for a 'no' vote and already has delivered a class action to court against the Portugal Telecom management for destruction of share value.

The president of ATM, Octavio Viana, says Oi "was not diligent and was not careful" and knew about the Rioforte position and added that the Brazilian company will benefit at the expense of the PT shareholders.

*in [Algarve Daily News](#)*