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Kodak adopts shareholder rights plan

Associated Press

ROCHESTER, N.Y. — Photography pioneer Eastman Kodak Co. said Monday that its board has adopted a shareholder rights agreement designed to preserve its tax assets.

The plan is designed to prevent shareholders from increasing their stake in the company to an extent that Kodak would face a higher income tax liability. Kodak said it had $2.9 billion in tax attributes as of the end of last year. In certain cases, this can be used to offset tax liabilities, including those related to gains the company would make from the possible sale of its 1,100 digital imaging patents.

But U.S. tax rules limit the use of such tax attributes if shareholders with a stake of 5 percent or more collectively increase their holdings by more than 50 percentage points over 3 years.

Kodak's plan would be triggered by a shareholder acquiring a stake of more than 4.9 percent in the company. Shareholders who already own a 4.9 percent stake would not trigger the plan unless they acquire more shares.

The move comes just weeks after the company announced exploring "strategic alternatives" for its digital imaging patents, including a possible sale. The patents the company is shopping around account for about 10 percent of its total portfolio.

Kodak has been struggling with falling sales of film and digital cameras even as revenue from inkjet printer sales is growing. Last month the company posted a $179 million loss for its second quarter.

Shares of Rochester, N.Y.-based Kodak rose 8 cents, or 3.3 percent, to $2.48 in premarket trading.