

Kodak retirees group sells \$635M claim for \$70M

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Kodak gets final court OK for financing

Eastman Kodak Co. is a step closer to ending its Chapter 11 bankruptcy as the printing and imaging company on Wednesday received U.S. Bankruptcy Court approval for an \$844 million package of loans.

The approval was the last step on a financing package the court preliminarily signed off on in December.

And the money refinances a separate set of loans Kodak received to keep it afloat after it filed for bankruptcy in January 2012.

Under the terms of the package, Kodak can convert up to \$644 million into exit financing due five years after it emerges from bankruptcy, as long as the company first resolves its United Kingdom pension obligations and sells its Document Imaging and Personalized Imaging businesses.

When Eastman Kodak Co. filed for bankruptcy a year ago, it left in its wake billions of dollars of IOUs.

Now one of the largest holders of such unsecured creditor claims has sold its claim for roughly 11 cents on the dollar.

The Kodak Retirees' Beneficiary Association said Wednesday that the company's roughly 56,000 retirees had received \$70 million

cash for their \$635 million claim. There was no word on who bought the claim.

That move could be a harbinger of what the legions of other Kodak creditors might expect in terms of repayment.

When Kodak emerges from bankruptcy, one of the key items will be what it repays the many holders of unsecured debt — those being everyone from suppliers holding unpaid bills to top managers who lost their executive pensions to the firms that buy and sell such claims.

That 11 cents on a dollar roughly matches what Wall Street expects from Kodak on its debts, judging by Kodak's bond prices.

The Beneficiary Association said it could not say why that figure had been settled on or what analysis was done that would indicate it likely would not be getting a greater return from Kodak.

The retiree committee hired Perinton retiree investment firm Manning & Napier Advisors LLC to advise on when to sell and for how much. Manning & Napier spokeswoman Shannon Lappin declined to comment.

And a number of retiree committee members did not return a message seeking comment.

When asked Wednesday about that 11-cent rate, Kodak spokesman Christopher Veronda said, "It wouldn't be appropriate for us to comment."

Ingrid Palermo, an attorney with the bankruptcy practice group at Bond, Schoeneck & King, said creditors will sell claims for any number of reasons, from wanting to get the money sooner rather than wait out the bankruptcy process or questioning the debtor's ability to pay its debts.

The claim purchaser, conversely, “believes that it will have a benefit that is greater than what it paid for the claim,” Palermo said. “Sometimes claims are purchased as an investment and sometimes claims are purchased to control a creditor class in the plan process.”

When Kodak filed for Chapter 11 bankruptcy in January 2012, roughly 56,000 people, including retirees, dependents and survivors, relied on Kodak for some post-retirement benefit. And the company said when it filed for bankruptcy that such legacy spending was a major drain on its resources.

The company in November received U.S. Bankruptcy Court approval to quit providing health insurance, life insurance, dental and medical coverage and the Survivor Income Benefit to retirees as of Jan. 1 of this year.

Those cuts are supposed to save the company in excess of \$100 million a year. The Pittsburgh-based Kodak Beneficiary Association said that \$70 million, plus \$7.5 million in cash from Kodak, will be used to help supplement the health care premiums of retirees under the age of 65 as well as the Survivor Income Benefit.

As of 2012, Kodak was providing health coverage for nearly 6,300 retirees under the age of 65, as well as Survivor Income Benefits for approximately 7,000 people.