

New Kodak to emerge on Sept.

3

Kodak filed for Chapter 11 bankruptcy protection in 2012.

by MATTHEW DANEMAN, USA TODAY | JUNE 25, 2013



Kodak headquarters in Rochester.(Photo: MAX SCHULTE / Staff photographer)

NEW YORK — Struggling Eastman Kodak Co. [filed for bankruptcy in January 2012](#) and began arguably the most trying chapter of its life.

And effective Sept. 3, it hopes to be done with that era and begin life as a far smaller — but consistently profitable — company.

A U.S. Bankruptcy Court hearing Tuesday set the company on that path as a judge approved a financing package to pay back the creditors who have been keeping it afloat during bankruptcy. Judge Allen Gropper also signed off on the sales pitch that will go to the legions of [Kodak's](#) unsecured shareholders in early July as the company tries to convince them to sign onto its plan to emerge from Chapter 11.

STORY: [Kodak gets court OK to sell film business](#)

STORY: [Hearings put Kodak on cusp of ending its bankruptcy](#)

The thick [disclosure statement](#) is to be mailed in about a week, along with ballots unsecured creditors need to return by Aug. 9.

The statement spells out Kodak's future business plan, which largely abandons the photographic legacy that made Kodak one of the world's most recognizable brands. The company that emerges from bankruptcy plans to focus instead on equipment and services revolving around commercial printing.

The Manhattan courtroom was standing room only Tuesday afternoon, with attorneys representing numerous parties. And Kodak accomplished all the goals it had set for itself Tuesday, getting court approval for the disclosure statement, its exit financing and for "backstop" financing that ensures Kodak raises \$406 million in the equity deal.

Gropper, in approving the backstop deal, said it gives Kodak a clear strategy for exiting bankruptcy protection, especially as the company had considered other plans but none of them proved viable. "There's nothing in sight," he said.

Money from the backstop deal repays second-lien creditors — a step that ends up making more stock potentially available for unsecured creditors than Kodak originally had under its April 30 plan.

The deal is "a strong vote of confidence in Kodak's plan of reorganization and in the work we have undertaken during our restructuring," Kodak CEO Antonio M. Perez said in a statement. It "provides the company with a strong, stable capital structure; signals market and creditor confidence in post-emergence Kodak; and demonstrates our ability to generate value for our stakeholders."

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Kodak hopes to partially repay its creditors using stock, stock warrants and, for small unsecured creditors such as mom and pop suppliers, a pot of \$8 million cash to be divided up.

The [reorganization plan](#) would wipe out current Kodak stockholders as the company would start fresh with all new shares. The numerous shareholders who have written the court and Gropper were the focus of part of the two-hour-plus court hearing, though ultimately not in any way that's likely to be of any comfort.

Some shareholders have argued that Kodak is more valuable than the company has stated publicly, so creditors should be paid in full and shareholders should not be wiped out. Gropper said those claims will be addressed at a hearing scheduled for Aug. 20, when the court will rule on the emergence plan itself. That hearing, he said, will include testimony on the value of the company, as well as how various stakeholders might make out if the company were liquidated vs. Kodak's reorganization plan.

Michael Torkin, an attorney with the New York law firm Sullivan & Cromwell, representing Kodak, told the court that while shareholders' frustration is palpable, that hidden value they claim doesn't exist.

An attorney for the committee representing unsecured creditors — as well as shareholders' interests, though they actually cannot make claims they are owed money by the company — said the financing plan and the emergence plan were the result of "bitter negotiations" with the company and with the lenders ponying up \$895 million to get the company out of bankruptcy and with some operating cash afterward.

The current emergence plan is sizably different from what Kodak first proposed April 30, providing unsecured creditors a chance to buy stock in the new Kodak at a set price of \$11.94 a share, thus giving them a chance to recoup some losses if the company turns out to be successful.

Daneman also writes for the Rochester (N.Y.) Democrat and Chronicle.

Key dates

Aug. 9 — Deadline for unsecured creditors to vote on emergence plan.

Aug. 20 — Court hearing to approve or reject the plan.

Sept. 3 — Kodak's target to emerge from bankruptcy.

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