

Kodak Creditors Vote in Favor of Plan

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Eastman Kodak Co. (EKDKQ) said most of its creditors have voted in favor of the company's restructuring plan, clearing a hurdle on the path out of bankruptcy.

Kodak Chief Executive Antonio M. Perez said that with the creditor vote, the company is "on task and on schedule" for its goal of exiting Chapter 11 protection by the end of September.

Three creditor groups--second-lien bondholders and U.S. and U.K. retirees--were unanimous in their support for Kodak's restructuring plan, according to court papers filed Thursday.

Under the plan, bondholders are slated to receive payment in full of the \$375 million in principal they are owed. They also will share in an additional \$20 million, payment of which was conditioned upon their approval for their plan.

The retirees' support for the plan was expected, as the plan incorporates deals with both groups.

Kodak will settle the \$2.8 billion claims of its U.K. pension fund by handing it the company's document- and personal-imaging businesses. The pension fund has agreed to pay \$650 million in cash and noncash consideration for the businesses.

Kodak's U.S. retirees also struck a settlement that gave them an unsecured claim of \$635 million after the company terminated their health and other benefits. Along with other unsecured creditors, the retirees will receive six million shares of Kodak's new common stock, warrants to buy additional shares and \$3 million.

Those other unsecured creditors were also eligible to vote on the restructuring plan, and nearly 1,900 of them, or 82.5%, approved the plan, court papers show. The unsecured creditors are owed well over \$1 billion.

To fund the plan, Kodak is seeking to raise \$406 million in a rights offering of 85% of its new shares and borrow up to \$895 million in bankruptcy-exit financing from lenders led by J.P. Morgan Chase & Co. (JPM), Bank of America Corp. (BAC) and Barclays PLC (BCS).

Because Kodak's plan cancels all existing shares and doesn't offer any payment to current shareholders, they weren't eligible to vote on the plan. Individual shareholders have filed objections to the plan in bankruptcy court, however, insisting that Kodak is worth more than it says and that some of that value should trickle down to them.

The Manhattan bankruptcy court disagrees, concluding this week that the evidence shows that Kodak is worth far less than the amount it owes its various creditors. Shareholders can't recover anything in Chapter 11 unless all creditors have been paid in full.

"The court recognizes that if Kodak's current plan is confirmed, its shareholders will lose their entire investment. However, its creditors, who include employees who may have lost their jobs, retirees who worked for Kodak for their entire careers, and small suppliers who may have been dependent on Kodak for their business, will also suffer great losses," Judge Allan L. Gropper wrote. "These creditors did not take an investment risk when they contracted with Kodak, and under the Bankruptcy Code they are entitled to recover before the shareholders."

Judge Gropper, of the U.S. Bankruptcy Court in Manhattan, will consider approving Kodak's restructuring plan at a hearing Tuesday.

Kodak sought Chapter 11 protection in January 2012.

(Dow Jones Daily Bankruptcy Review covers news about distressed companies and those under bankruptcy protection. Go to <http://dbr.dowjones.com>)

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