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# UPDATE 2-U.S. judge approves Kodak plan to exit bankruptcy

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By Nick Brown

NEW YORK, Aug 20 (Reuters) - Eastman Kodak Co, once a mighty photography pioneer, earned court approval on Tuesday for a plan to emerge from bankruptcy as a much smaller digital-imaging company.

The green light from U.S. Bankruptcy Judge Allan Gropper in New York puts Kodak on track to exit bankruptcy in about two weeks.

"It will be enormously valuable for the company to get out of Chapter 11 and hopefully begin to regain its position in the pantheon of American business," Gropper said.

Kodak, based in Rochester, New York, was for years synonymous with household cameras and family snapshots. It filed a \$6.75 billion bankruptcy in January 2012, weighed down by high pension costs and a years-long delay in embracing digital camera technology.

With the court approval, the company's exit from bankruptcy is now imminent, Chief Executive Antonio Perez said in a statement.

"Next, we move on to emergence as a technology leader serving large and growing commercial imaging markets," he said, adding the company will have a leaner structure and a stronger balance sheet.

It has sold off assets, including its consumer-focused operations, and will emerge from Chapter 11 to focus mainly on commercial products such as high-speed digital printing technology and flexible packaging for consumer goods.

Its new structure will mean a lower public profile for Kodak's iconic name and its expected revenues, about \$2.5 billion, are roughly half of what it had when it filed for Chapter 11.

In bankruptcy, Kodak failed to obtain significant value for its portfolio of patents, which experts said was a crucial reason it had to sell core businesses and reinvent itself. But the bankruptcy resolved a major dispute with retirees over pensions, and it has forged a restructuring plan that, while wiping out shareholders, should pay secured creditors and second-lien noteholders in full.

General unsecured creditors are likely to receive a marginal payout in the neighborhood of 4 cents to 5 cents on the dollar.

"This comes on a day when many are losing retirement benefits, and many are finding that their recovery as a creditor is just a minute fraction of what their debt is," Gropper said. "But I cannot decree a larger payment for creditors or any payment for shareholders if the value is not there."

Kodak plans to emerge from bankruptcy as early as Sept. 3, its attorney, Andrew Dietderich, said at a hearing in U.S. Bankruptcy Court in New York.

## THE FALL OF THE MIGHTY

Kodak's bankruptcy capped a protracted plunge for the company, which was founded in 1880 by George Eastman, the inventor of the hand-held camera and rolled photographic film. Kodak's market value topped \$31 billion in the mid-1990s.

When it filed for bankruptcy, it hoped to fetch more than \$2 billion for about 1,100 patents related to digital imaging. But due in part to losses in high-profile patent litigation with Apple Inc, the company was only able to sell the portfolio for about \$525 million to a consortium led by Intellectual Ventures and RPX Corp.

The company sought other ways to save money. In April, it resolved a crucial dispute with its British pension, which dropped a \$2.8 billion claim against Kodak while buying the company's personalized imaging and document imaging businesses for \$650 million.

The company reached an \$895 million financing deal in June with JPMorgan Chase & Co, Bank of America Corp and Barclays Plc. It also plans a \$406 million rights offering, selling 34 million shares, or 85 percent of the equity in the reorganized company, with proceeds going to creditors.

Shareholders fought to salvage some value from the bankruptcy, including at Tuesday's hearing, saying Kodak was undervaluing its reorganized entity. But Gropper repeatedly denied their efforts to form a committee to represent their interests, saying it was clear there would be no value for them.

Gropper's patience ran out however when he admonished one shareholder for asking what he felt were overly broad questions of Kodak executives about their methodology for the company's valuation. The Canadian shareholder spent close to an hour at the podium.

Cross-examination questions must be narrowly focused, Gropper said.

"It's like that in Canada too, yes?" said the judge, raising his voice.

Gropper later admitted he'd "been a bit impatient" with some stakeholders, calling Kodak's collapse a "tragedy of American economic life."

The case is In re: Eastman Kodak Co, U.S. Bankruptcy Court, Southern District of New York, No. 12-10202.

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