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UPDATE: Kodak Creditors to Get Stock Under Chapter 11 Plan

(Adds details from the Chapter 11 plan throughout.)

–Kodak's Chapter 11 plan proposes to distribute 85% of new common stock to bondholders and 15% to unsecured creditors.

–Kodak's forecast value at emergence from bankruptcy is \$441 million.

–The company expects to exit Chapter 11 protection in the third quarter of 2013.

By Marie Beaudette and Jacqueline Palank

Eastman Kodak Co. (EKDKQ) has filed a plan to exit Chapter 11 bankruptcy protection that would hand ownership of the company to its bondholders and unsecured creditors.

Under the plan, filed late Tuesday, second-lien noteholders owed \$375 million would get 85% of the new common stock in the restructured Kodak.

Assuming the company is worth \$441 million at the time it exits Chapter 11 protection, the bondholders' controlling stake would be worth \$374.85 million.

The remaining 15% of shares, worth \$66.15 million, would go to unsecured creditors who are estimated to be owed between \$1.6 billion and \$2.2 billion. Kodak's retirees, a group owed \$635 million under a settlement with the company, would also share in that stock distribution.

Kodak's current shareholders would see their shares canceled and wouldn't receive any payment under the Chapter 11 plan, which is subject to the approval of Kodak's creditors and the U.S. Bankruptcy Court in Manhattan.

The plan also includes a settlement announced earlier in the week with Kodak's U.K. pension plan, which is slated to take control of the company's personalized imaging and document imaging businesses to satisfy a \$2.8 billion claim. Those businesses include Kodak's cameras, retail photo-printing kiosks, photo paper, scanners and other products and services.

The plan's filing represents "a major milestone in our reorganization," Kodak Chief Executive Antonio M. Perez said in a statement.

"We now have a clear path forward for Kodak, and we are positioning the company for a profitable and sustainable future," he added.

Kodak expects to have \$815 million of cash and cash equivalents available when it exits bankruptcy, including up to \$653.7 million of bankruptcy loans that may be converted into exit financing.

Kodak expects to exit Chapter 11 protection in the third quarter of this year. Its \$441 million projected valuation at that time is forecast to climb to \$581 million by the end of next year and to \$1.625 billion by the end of 2017.

The company's financial projections assume that Kodak won't lose several billion dollars of valuable tax benefits, including \$2.6 billion in net operating losses it can use to offset future taxes. Companies risk losing those benefits when there's a change of ownership, but certain exceptions apply in bankruptcy.

Kodak's lead attorneys at Sullivan & Cromwell LLP spent more than 300 hours in March working on the Chapter 11 plan, according to court papers filed Tuesday. In all, the firm's attorneys spent more than 6,400 hours working on Kodak's bankruptcy case that month, for which they charged \$4.44 million in fees and nearly \$60,200 in expenses. The firm, however, is only seeking payment of 80% of the fees at this time, or \$3.55 million.

In Chapter 11, the fees charged by a company's lawyers and other professional firms are subject to bankruptcy-court scrutiny and approval.

Based in Rochester, N.Y., Kodak sought Chapter 11 protection in January 2012. Since then, it has been working to sell assets and shed unprofitable business lines to reorganize around its commercial-imaging business, which includes digital printers and motion picture film.

Earlier this year, for instance, Kodak sold a portfolio of 1,100 digital patents for \$527 million to a consortium of buyers including Apple Inc. (AAPL), Google Inc. (GOOG) and Microsoft Corp. (MSFT). And last year it sold Kodak Gallery, its online photo-sharing and printing business, to Shutterfly Inc. (SFLY) for \$23.8 million.

(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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