



Kodak Chapter 11 bankruptcy questions and answers

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Does Chapter 11 mean Kodak is going out of business?

The opposite. “The point of a Chapter 11 is restructure and continue the company,” said Martha L. Salzman, assistant professor of [business](#) law at the State University of New York at Buffalo’s School of Management. “Meaning they want the company to go on with some changes.”

The textbook Chapter 11 is a company with a business line doing well and another that’s struggling, with the bankruptcy process letting the company shed those bad parts, said John C. Ninfo II, who retired at the end of 2011 after 19 years as a United States Bankruptcy Judge for the Western District of New York. Bankruptcy court also can be a means of selling a major asset or part of a business without the buyer worrying that creditors down the road will sue seeking more money and claiming the selling price wasn’t enough, as bankruptcy court provides legal cover to those sales, Ninfo said.

What happens next?

Kodak also has filed a variety of motions asking for court approval to continue operations, such as paying [employees](#) whatever they were owed in the days leading up to the bankruptcy filing. Beyond that, in many ways, the company continues operating as usual, said Ingrid Palermo, a bankruptcy attorney with the Rochester office of Bond Schoeneck & King. “The executives till get to make decisions, people still get hired and fired during a bankruptcy proceeding,” she said.

Kodak in its bankruptcy filing said it already has been having some talks with creditors as it tries to hash out a restructuring plan.

Is there any upside to Kodak going Chapter 11?

Bankruptcy used to be a blot on a company’s reputation. But it increasingly has emerged as a corporate strategy, giving firms a chance to take a breather from creditors and negotiate down debts, said John Striebich, chairman of the business administration program at Monroe Community College.

And once out of Chapter 11, “hopefully ... they come out supercharged,” Striebich said. Filing for bankruptcy creates an automatic stay that stops, for the most part, creditors from taking certain actions such as foreclosures, Salzman said. “It gives a little breathing period,” she said.

Why is the case being handled in the Southern District of New York instead of federal bankruptcy court in Rochester?

Specialization. The Southern District of New York federal court has, over years, “built a lot of streamlined procedures for these cases,” said Ninfo. “People feel more comfortable going there. They’ve got it down to a science.”

What happens if the Ch. 11 fails?

If Kodak and its creditors fail to come to an agreement, an unsuccessful Chapter 11 can be dismissed, meaning Kodak is back in the same boat it was yesterday, or converted into a Chapter 7, which means it would be shut down and sold off.

How long does this Chapter 11 process take?

Kodak’s motivation will be to get it done as soon as possible, said MCC business administration Assistant Professor Joseph McCauley. While going through Chapter 11, the company is under some judicial and creditor control, making management less able to do its job.

“This one is going to take as much time as bankruptcy code will allow,” said corporate turnaround consulting firm Conway MacKenzie Inc. CEO Van Conway, pointing to the complexity of a large, multinational corporation. “It will not be a short bankruptcy.”