



Bankruptcy's impact ripples across community

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Eastman Kodak's [Chapter 11](#) bankruptcy filing is like a large rock dropped into a pond, with its impact rippling out in all directions.

Each bankruptcy is unique, meaning it's challenging early on to know definitively what its effect will be over the long term. But here's how it might impact some of the key stakeholders:

Retirees:

According to the Labor Department, pension assets generally aren't at risk in a company bankruptcy because pension cash, under federal law, is kept separate from business assets.

Additionally, some pension benefits are insured by the federal government through the Pension Benefit Guaranty Corp., though money in employer-offered 401(k) plans is not. But it looks unlikely that the Kodak pension would even become the purview of the PBGC since the pension is largely funded, said Derek Szczupakowski, a financial consultant with AXA Advisors LLC.

However, that doesn't mean there aren't risks regarding pension funds. While a company cannot dip into its pension fund, said Van Conway, CEO of Detroit-based business turnaround consulting firm Conway MacKenzie, it might seek to avoid having to fill any shortfall in the pension fund. And Kodak currently is spending upward of \$50 million a year through 2014 — and then at least \$90 million a year through 2022 — to fill a financial hole in its [United Kingdom](#) pension plan.

Retirees' and workers' 401(k) plans also are safe from Kodak's creditors, who cannot go after those assets, Szczupakowski said. But the 401(k) plans potentially could be frozen for weeks or even months, meaning no withdrawals, until Kodak's reorganization plan is approved by federal Bankruptcy Court, he said.

"I'm telling people, just move that money into an IRA," Szczupakowski said. "There's no downside to it."

As for retiree benefits, there's plenty of reason to be concerned. But they likely realized that because of what Kodak did in 2008. The company traditionally had one of the best benefits programs in the nation, which made its 2008 announcement that it was ending retirees' dental coverage and company-paid life insurance and beginning a 10-year phase-out of medical coverage for retirees' dependents so jarring to the Rochester region's 25,000 retired Kodakers.

"Retirees having health care (from their former employer) nowadays is a rare thing," Szczupakowski said.

Given the large costs of health care, those benefits likely will be cut during bankruptcy, said John Striebich, chairman of business administration at [Monroe Community College](#).

"If I was a Kodak retiree, I'd be very, very afraid," said Joseph J. McCauley, an assistant professor of business administration at MCC.

Employees:

Bankruptcy always brings cost cutting and one likely target is employees, meaning Kodak could cut the number of workers as well as their current benefits, Striebich said.

Benefits have become such a big cost of business today," he said.

Company management

Their jobs could be in jeopardy. If creditors disagree with management's past handling of the company or its plans, they can press the judge to replace the managers with a trustee, McCauley said.

Investors

Typically, any value still present in common and preferred stock when a company announces its bankruptcy gets wiped out, said Edward S. Adams, a professor of finance and law at the [University of Minnesota](#) and a bankruptcy expert. When a company files for bankruptcy, "The only trade (shareholders) should be making is to sell," Adams said.

In most cases, a company that successfully goes through Chapter 11 winds up issuing new shares and wiping out the old, with the bulk of the new equity going to creditors.

Customers

In some industries, such as airlines, bankruptcy typically means nothing to customers, who assume the still can hop flights to their destinations, said Conway.

"If you're in a complicated manufacturing industry and making sophisticated products for a customer, the customer is going to say 'wait a minute.' In some industries, the customers care. You could have to worry about customer contraction, going elsewhere or buying less. People worry about a warranty, they worry about parts," he added.

Company

Kodak has been dogged for more than three months with bankruptcy rumors that drove its share price down to practically nothing. So the bankruptcy itself comes as little surprise.

And bankruptcy today is considered less a sign that a company is a hopeless failure than it once was, Striebich said.

"Twenty five years ago, (bankruptcy) was this bad thing, a black mark," he said. "It's weird how the stigma that used to be attached to it" is gone.

Since the bankruptcy gives the company a chance to make substantive changes that could guarantee its long-term survival, "Overall, it'd be good for Kodak," McCauley said. "But for a lot of the stakeholders in Rochester, not so good."

Contributing: Daneman also reports for the Rochester (N.Y.) Democrat and Chronicle