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Eastman Kodak deal under cloud

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The US government has put its [\\$1 billion \(US\\$765 million\) loan to Eastman Kodak on hold](#) while it investigates allegations of insider trading in Eastman Kodak shares, including a big purchase by CEO Jim Continenza.

As reported two weeks ago, Eastman Kodak shares skyrocketed in value following the announcement of the loan from the US Government, to be used to manufacture chemicals for production of generic drugs, including the controversial anti-malarial hydroxychloroquine. This was presented as establishing a US generic drug industry and reducing dependence on overseas manufacturers, chiefly China and India.



While the Kodak share price has fallen from the heady few days immediately following the announcement of the US Government loan, it's still worth hundreds of millions of dollars more than it was prior to July 28.

Bloomberg News reported earlier this week that [Kodak spent \\$870,000 lobbying Congress](#) and federal agencies from April through June, after negligible lobbying activity in the past few years.

The Kodak deal is now under investigation in Washington and, according to the *Wall Street Journal*, by the Security and Exchange Commission, which is reported to be 'looking at the company's disclosure of the preliminary agreement and the timing of options grants to Executive Chairman Jim Continenza.'

Last Friday, August 7, the International Development Finance Corporation – the government organisation through which the loan was to come, Tweeted: 'Recent allegations of wrongdoing raise serious concerns. We will not proceed any further unless these allegations are cleared.'

Filings with the SEC show that on June 23 Continenza purchased roughly 46,700 additional shares. On the same date, board member Philippe Katz purchased 5000 shares. Continenza, along with three other executives, were then awarded stock options on July 27. The announcement of the loan was on July 28. The day before, there was a massive spike in purchase of Eastman Kodak shares on the New York Stock Exchange.

Senator Elizabeth Warren has asked the SEC to look into whether 'one or more individuals may have engaged in insider trading.'

Asked about the Eastman Kodak insider trading President Trump said: 'We'll do a little study on that. We'll find out. If there is any problem, we'll let you know about it very quickly.'

Meanwhile, a third Eastman Kodak board member, George Karfunkel, donated half of his Eastman Kodak share portfolio, just when shares had shot from \$2 each to over \$30 each, and were worth US\$116 million, to a religious not-for-profit 'shell' he established in 2018 and is treasurer of. According to the *WSJ*, this is possibly the biggest contribution on record to a religious nonprofit.

This potentially allows the billionaire to claim tax deductions over the next five years, estimated by [US news website Mother Jones](#) as 'between \$52.5 million and \$180 million for a bloc of stocks that two days earlier was worth \$6.39 million.' It would appear he also has access to the funds in the suddenly wealthy not-for-profit, with Kodak shares still about four times their pre-loan value.

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