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Pensioners loan Kodak Alaris \$70 mil!

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Kodak Alaris has secured a **US\$50 million (around \$70 million) credit facility** from the UK Pensioners Protection Fund (PPF), just weeks before it becomes the owner of the business as part of its acquisition of the failing Kodak Pensioners Fund (KPP2).

While this article focuses primarily on the US\$50 million credit facility, it's worth noting the unusual fact that Kodak Alaris will in the next few weeks be effectively owned by the British Government! (To be exact, 'a statutory public corporation accountable to Parliament through the Secretary of State for the Department for Work and Pensions.')

Kodak alaris

The US\$50 million is spread among several Kodak Alaris international subsidiaries, including Germany, Canada, US, Singapore, HK and Australia, rather than the parent company, according to Registration of Charge documents lodged with UK Companies House (the British ASIC or ASC). If this series of loans are dishonoured, the PPF will presumably need to pursue the assets of these subsidiaries, rather than the larger asset base of the parent company.

'The new facility is structured in line with market practice and so, as lender, KPP2 has security in a number of jurisdictions around the world where the company has operations and assets (ie, covered by filings/charges you've seen),' Ged Brumby, a director of KPP2's communications consultants, The Smithfield Group, told *Inside Imaging*. 'The initial available facility is limited to US\$40m whilst security arrangements are completed. As the PPF will be assuming full ownership of the Plan, and therefore Kodak Alaris, it was felt appropriate that the facility would be provided to the business from the PPF via KPP2 as Kodak Alaris' sole shareholder.'

'The PPF assessment process is due to complete in coming weeks whereupon the KPP2 Plan will transfer fully across to the PPF which will assume full ownership, governance and responsibility for the fund and its members,' he said.

'In the period ahead of this transfer, the Trustee of KPP2 has been working closely with the PPF to agree a USD50m, three year committed credit facility for the Kodak Alaris business following the expiry of the term of its prior Revolving Credit Facility earlier in the summer. The former facility had not been drawn in the last three years,' he explained.

There's an irony in the UK pensioners providing loans to Kodak Alaris. This long-running saga stretches to 2012, when the bankrupt Eastman Kodak Company owed US\$2.8 billion to the original UK Kodak Pension Plan (KPP). Eastman Kodak somehow persuaded the KPP to pay what has proven to be an extortionate US\$325 million for a series of assets – which would become Kodak Alaris – centering on exclusive rights to use the Kodak brand in various categories such as film, paper and chemistry, dye-sub consumables, photo printing equipment and document scanners. Given the alternative was a fairly immediate inability to honour its obligations to its pensioners, perhaps it was an offer KPP couldn't refuse.

Illustrating just how 'over the odds' that original US\$325 million payment was, [Kodak Alaris recently sold](#) the photographic paper and chemicals segment of the business to HK-based Sino Promise Holdings for around US\$8 million – 'effectively 5 times less than it was valued when the KPP2 deals as done in 2013' according to a reliable source close to Kodak Alaris.

The rationale for that KPP deal was that Kodak Alaris would generate funds to make up the shortfall in the pensioners fund. It never happened. According to John Kiely, Smithfield Group managing director, 'Kodak Alaris has not paid any dividends to KPP2 as per its accounts which are publicly available.'

On moving across to the PPF, deferred members of the Kodak fund will have their pensions reduced by 10 percent, but the new loan to Kodak Alaris will have no further negative financial impact on them or current pensioners, who continue to draw 100 percent of their pensions. The KPP2 is still underfunded by around 1.5 billion British pounds, which would have led to its total failure if the PPF hadn't stepped in. (So it's a matter of 90 percent of something being better than 100 percent of nothing!)

'The new facility has no impact on Plan members who remain covered by the compensation arrangements provided by the PPF,' said John Kiely.

Inside Imaging has been told that Kodak Alaris' last credit provider, HSBC, along with two other banks, declined to offer Kodak Alaris a credit facility.

Back in July the source indicated Kodak Alaris was in talks with 'a very unusual lender' in the form of the pensioners fund and, 'If nothing's in place by September, things will go south with a "cash crunch" by the end of Jan 2021.' He said that in the meantime Kodak Alaris was moving all vendors on to net 90 days payment as part of an effort to preserve cash.

However KPP2, via the Smithfield Group, insists that it was Kodak Alaris which decided not to renew its facility with HSBC: 'Kodak Alaris decided not to renew the facility when it came up for renewal, this was not an HSBC decision. HSBC continues to provide a number of services to Kodak Alaris.' said John Kiely.

The deals with Kodak Alaris and its international subsidiaries were completed in September. At time of publishing, there is still some uncertainty regarding the total figures loaned. The [Registration of Charge document](#) which relates to Kodak Alaris Germany refers to a figure of over 45 million pounds (\$82.6 million) from that source alone.