

Kodak to Cut Another 1,000 Positions by Year's End

When Eastman Kodak Co. declared bankruptcy early this year, it had 17,000 workers worldwide, businesses ranging from massive digital printing presses to souvenir photos of amusement park patrons on roller coasters, and a large stable of top executives pulling down hundreds of thousands of dollars a year. When it comes out of bankruptcy — the goal being early 2013 — Kodak will be smaller on all those fronts. The printing and imaging company said Monday that, related to previously announced plans to sell its personalized and document imaging businesses, it anticipates cutting 1,000 positions by year's end. Among those leaving the company will be co-President Philip Faraci, whose job is being eliminated, and Chief Financial Officer Ann McCorvey, who decided not to stay. Other high-level departures will happen as business units are sold. "Kodak is becoming a more focused and competitively scaled company," CEO Antonio M. Perez said in a statement. "We recognize that we must significantly and expeditiously reduce our current cost structure, which is designed for a much larger, more diversified set of businesses." Perez praised Faraci and McCorvey for their contributions, but said the reorganization of senior management "will help accelerate the creation of a sustainable cost structure." The 1,000 positions to be cut come atop 2,700 already eliminated so far this year and will take Kodak's head count well below 14,000. Spokesman Christopher Veronda said the layoffs will occur across the company. He did not specify the impact on Rochester, where employment has dwindled to fewer than 5,000. "Unfortunately, one of the major impacts of a large Chapter 11 case is usually the loss of jobs at all levels," said Robert J. Rock, senior bankruptcy attorney with Albany-based law firm Tully Rinckey PLLC. "Personnel costs can be, and usually are, among the highest category of expenses and companies attempting to reorganize under Chapter 11 almost always need to cut expenses wherever possible." This is especially true in manufacturing industries in the Northeast where whole product lines have been lost to advancing technology. The printing industry has been hit very hard as more and more products formerly found in paper and ink become available online. The same is true of Kodak, which needs to move from its traditional film products into the digital age. "Kodak said it expects to save \$330 million annually from the employee cuts. Faraci oversaw the digital printing and enterprise operations. He had been with Kodak for eight years, the last five as company president. With the sale of the personalized and document imaging businesses — which include still camera film, photo paper, retail photo kiosks, document scanners and souvenir photo event imaging — "the Kodak that emerges will be a more focused enterprise, and so we need to ensure that our leadership of that business is appropriately scaled with a lean management structure," Veronda said. "Accordingly, Kodak and Phil determined that he should leave the company." McCorvey, the chief financial officer, will be temporarily replaced by Rebecca A. Roof, a managing director of AlixPartners, which is Kodak's restructuring adviser and consultant. McCorvey had been with Kodak since 1999 and was named CFO in 2010. Veronda said she opted to leave when the company decided it needed a CFO with "certain specialized knowledge and experience in Chapter 11 situations." This new round of job cuts and management shakeups, coming eight months after the company filed for Chapter

11 bankruptcy protection, seems to indicate “a little chaos in this Chapter 11” with company revenues coming in less than expected, said Van Conway, CEO of New York-based turnaround and restructuring consultant Conway MacKenzie Inc. “You swap out two senior people, that’s not totally unusual, but you prefer that not to happen,” especially given the important nature of the CFO position, Conway said. “That means there’s disagreement on strategy.” The anticipated face of post-bankruptcy Kodak has been changing rapidly in recent weeks. In August, the company filed a tentative business plan with the U.S. Securities and Exchange Commission that had operations such as retail photo kiosks and still camera film remaining part of the status quo. That already has changed. Two other top executives — co-President Laura Quatela and enterprise services and solutions President Dolores Kruchten — are being put in charge of personalized and document imaging to handle the sale of those businesses. The idea is that Quatela and Kruchten will leave Kodak when the divestitures are completed. Quatela now has the added role of president of personal imaging, while Kruchten was named president of document imaging. Once sold, Veronda said, “It would be up to the buyer on whether or not to retain Quatela and Kruchten in ... running the businesses.” Kodak declined to say Monday how many people are employed in those two business lines. For the time being, the company is set up in three separate business units: The personal and document imaging businesses, which are being sold.

Digital printing and enterprise, headed by Douglas J. Edwards.

Graphics, entertainment and commercial films, headed by Brad Kruchten, who is Dolores Kruchten’s husband.

Both Edwards and Brad Kruchten will report directly to Perez. “This business structure puts the right people in the right positions to accomplish the key tasks that will help Kodak successfully emerge,” Perez said. The CEO said the Kodak that comes out of bankruptcy will be “a growing, sustainable, profitable company that continues to meet the needs of our customers.”