

Kodak, in Bankruptcy, Seeks Bonuses to Keep Executives

When Eastman Kodak went into bankruptcy proceedings six months ago, it left creditors holding unpaid bills and the world with questions about whether the company would simply shut down.

Eastman Kodak is reorganizing for the second time in six months as part of its Chapter 11 bankruptcy.

Now, Kodak's top executives could be in line for big bonuses if creditors get some payback and if the company successfully emerges from bankruptcy or gets acquired.

The printing and imaging company on Wednesday filed a motion in U.S. Bankruptcy Court seeking approval for as much as \$17.6 million in bonuses for 15 executives.

CEO Antonio Perez could receive up to \$4.4 million if unsecured creditors — those who have no assurance they'll get paid — get back every dime they're owed. If they get back 30 cents on the dollar, which is Kodak's target, Perez would receive \$2.2 million.

Kodak's chief restructuring officer, James Mesterharm, said in a memo to employees Wednesday that the proposed Emergence Performance Plan "provides our leaders an opportunity to earn market-competitive compensation ... for their achievement of this goal" of getting out of bankruptcy.

Such bonus programs are common in Chapter 11 cases of publicly held companies, said Robert Rock, senior bankruptcy attorney with Albany-based law firm Tully Rinckey.

"The concept is that these bonuses are given to key executives in order to keep them with the reorganizing company at a time when that company desperately needs them," Rock said. "The contingency that the company emerge from bankruptcy gives the executives a strong incentive to see that the Chapter 11 succeeds. The contingency that creditors receive a meaningful payment on their claims ensures that the reorganization is run for the benefit of the creditors and not the company executives."

Bankrupt companies ranging from Blockbuster, the movie rental retailer, to Pilgrim's Pride, a giant meat processor, have paid executive bonuses. And even bankrupt companies that are shutting their doors and liquidating assets can get court approval for handsome executive bonuses tied to maximizing the returns to creditors, as was the case with electronics retailer Circuit City and bookstore chain Borders Group.

In its motion, Kodak didn't identify by name the people who would be eligible for bonuses, saying only that nine executive officers and six key managers were in the pool. But the chief executive officer, Perez, and the chief financial officer, Ann McCorvey, were identified by title. McCorvey could receive as much as \$1.6 million.

Company co-President Laura Quatela, who is helping lead an effort to sell a portfolio of 1,100

digital imaging patents, could receive a separate bonus of up to \$1.5 million depending on terms of that sale.

If the bankruptcy case winds up with creditors getting 10 cents or less on the dollar, Kodak executives would get no bonuses. Under another provision, the bonuses would shrink the longer the bankruptcy process takes, with the company's goal being to emerge in January 2013.

According to Kodak, the unsecured creditors committee supports the bonus plan.

Along with creditors getting paid, the bonuses also would depend on the company surviving in some fashion, though perhaps not as "Kodak." For example, if the assets were sold so that the surviving entity would be a stand-alone operation or have different ownership than today, the bonuses could be paid.

"It's not a requirement there be an ongoing Eastman Kodak Company," spokesman Christopher Veronda said.

Bonuses tied to company performance traditionally have been a big part of executives' paychecks. Perez, for example, was eligible for as much as \$8.6 million in cash in 2010, including \$7.5 million in bonuses tied to the company achieving certain financial milestones.

“He took on this case with vigor and ZERO FEAR of the government!”

That"LITERALLY THE BEST MONEY I EVER SPENT!!!! The USAF charged my son with Article 92, Violate General Order and Article 128, Simple Assault. I spoke to many attorneys who said to me, "Your son will be convicted of the Simple Assault because putting lotion on someone's face is considered an assault as it is an unwanted touch." They all wanted me to work on a plea deal with the government that ended with my son being discharged, spending time in the brig and having a federal conviction for the rest of his life. Knowing that this just didn't warrant a federal conviction, bad conduct discharge and time in the brig, I was on a search to find an attorney who would look at this case for what it was: a couple of 19-21 year-old immature young men horse playing. I was looking for someone who would say something different; someone who would be able to look at the case from more than one view. When I spoke to Mr. Rinckey, I thought I was going to get the same ole speech, but to my surprise, I IMMEDIATELY felt at ease and I knew right then that he was going to be my attorney (not sure if he knew it at this time). He took on this case with vigor and ZERO FEAR of the government! He wanted them to know that this was NOT going to go away with any plea deal! And he went to work! Then, LITERALLY 2 DAYS BEFORE trail the government added an additional charge, which was Article 134, Unlawful Entry. Mr. Rinckey stayed focused, developed a plan, and off to trail we went. He was so prepared, calm and at ease. I remember him saying to me, "I am ready to try this case." And yesterday - 14 APR 2016 - my son was found NOT GUILTY on ALL CHARGES AND SPECIFICATIONS!!! Yesss!!! You know, it's always hard to find money for an attorney, but I learned one thing with this case. Although I thought we couldn't afford an attorney, the truth of the matter was that we couldn't afford NOT TO HAVE an attorney. I only wish I had found Mr. Rinckey sooner, but that's okay. I have found my ATTORNEY for life," Y.W. on Founding Partner on Greg Rinckey, Esq.

Prior results do not guarantee similar outcomes.

"Well Informed Legal Advice" - G.C.

Received sound and well informed legal advice. Responses were timely and extremely relevant. - G.C. on client relations attorney Derrick T. Hogan

“Great Service” – E.S.

I want to thank you all for the great service rendered [to] myself and family. - E.S. on Client Relations Attorney Derrick Hogan

“High Regard” – R.E.M.

“Your firm held my best interests with high regard... I thank you for your efforts.” - R.E.M.

“Prompt and Efficient” – K.B.

"Prompt and efficient in processing claim, all correspondence handled in prompt and efficient manner." – K.B.

“Impressed” – W.W.

"As a retired heavy user of attorneys, I'm impressed with your concerns and your efforts to stay in touch with your clients. Its damned good management aligned with top notch expertise." – W.W.

“Excellent Service” – J.R.

"Excellent service, very professional, and understanding and considerate of clients needs. Attorney was very approachable and there was a very good comfort level." – J.R.

“Full Service” – K.M.

"I like the fact the office is close enough to where I work and live and that it is a full service practice, not just estate planning." – K.M.

“Professional and Informative” – J.H.

"Professional and informative... I was pleased with the handling of the case. I was treated as a person, and kept abreast of all aspects of the case. Thank you all." – J.H.

“Thanks So Much” – J.D.

“Without your firm, I would not have known of my claim. Thanks so much!” – J.D.

“Gets Results” – F.P.

“Most certainly – The firm gets results!” – F.P.

“Outstanding” – M.P.

“Results are outstanding.” – M.P.

“Quite Satisfied” – R.W.

“I am quite satisfied with the services your office has provided.” – R.W.

“Exceptional Legal Services” – A.S.

“Your firm, Tully Rinckey, has provided and continues to provide me with prompt, keen, exceptional legal services. After the initial consult, I felt relieved that I had the representation from Tully Rinckey... I have found a new found hope with Tully Rinckey...” – A.S.

“Absolute Best” – R.H.

“My attorney was the absolute best I could ever have hoped for. A pure professional in every sense of the word. She was very mindful of my financial expenditure and still was able to represent me very well in my court case.” – R.H.

“Outstanding Service” – A.R.

“Outstanding service, true professional.” – A.R.

“Top Notch” – V.W.

“My attorney was top notch. Very pleasant and helpful.” – V.W.

“Very Thankful” – C.P.

“Very thankful for the help and guidance I received from your law firm. Because of your law firm I was able to return to work with all my back benefits.” – C.P.

“Ideal Choice” – D.H.

“My attorney knew exactly the approach to take and was the ideal choice. She was extremely responsive. She was clear, balanced, and open to our views and feelings. She made it clear she was there for us and ready to answer questions.” – D.H.

“Very Satisfied” – D.D.

“I was very satisfied with the services provided which were completed in a very timely and professional manner.” – D.D.

“Excellent” – B.M.

“Your firm provides excellent & free service to federal workers and NG/USAR members.” – B.M.