

KODAK ATTEMPTS TO STEM EXODUS THROUGH HEAVY BONUSES – SEEKS COURT CONSENT



Eastman Kodak Co., facing difficult times and under bankruptcy protection, is seeking permission to pay about 300 executives and some other employees, around \$13.5 million in bonuses, to persuade and convince them to stay with the company and not desert them for more lucrative pastures. The more than 100 year old company, which had revenue of \$6 billion in 2011, had applied for bankruptcy proceedings in January this year. This places certain restrictions on them on what sort of compensation packages they can give to their workers and limits what they can do in terms of bonuses and incentives. U.S. Bankruptcy Court Judge Allan Gropper will hear arguments on Monday, regarding the company's plea to spend around \$13.5 million for their "employee continuity plan" for 319 workers, who they believe are irreplaceable and crucial to the company's revival plans. A U.S. Trustee has filed an objection to Kodak's motion, saying that, the company has failed to show that the money "will not go to high-level company insiders." Kodak has said that, around \$8.5 million would go to 119 middle managers and \$ 5 million to around 200 other employees, who were crucial to their turnaround plans. Kodak has clarified that none of that money would go to its CEO Antonio M.Perez or Co-Presidents Laura Quatela and Philip Faraci. The Trustee is an arm of the Justice Department who monitor corporate bankruptcy cases and has asked for better guarantees to be built in Kodak's plan, to ensure that that their top executives don't share in the bonuses. Kodak said that the employees that it wants to retain have the knowledge, experience and competence critical to the business and would be hard to substitute if they left. The company said it was already facing an exodus of employees and the bonuses were an attempt to stem the flow. Kodak also told its retirees that it has revoked and withdrawn its motion to end supplemental health-care benefits for around 16,000 retirees who were eligible for Medicare. The committee has instead formed a retirees committee to examine and consider the issues of medical and survivor benefits. A retiree Raymond A. Gleichauf has raised objections about the size of the bonuses and has written to the Judge Allan Gropper who is listening to the arguments, he wrote, "Let us not forget that these are the same individuals that have essentially driven this once great company into bankruptcy, as these were the decision makers at the time. Perhaps the company and board of directors would want to wait until after they successfully emerge from bankruptcy to reward key individuals that have stayed and truly believed in the company?" Such "stay put" bonuses are normal procedure in bankruptcy applicants and are generally expected to go through if unopposed by unsecured creditors. Kodak is expected to get the nod since its unsecured creditors committee has not filed any objection to the motion. Kodak's argument that the company's future hinges on the fidelity and high-morale of those employees whose "institutional knowledge, vital skills and important relationships with customers, vendors and others," is what is going to fuel the change. Kodak said, "The continuity plan would demonstrate (the company's commitment) to the participants and would counter further losses associated with attrition."