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*Counsel for the Official Committee of Retired Employees
of Eastman Kodak Company, et al.*

**IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

EASTMAN KODAK COMPANY, *et al.*,

Debtors.

Chapter 11

Case No. 12-10202 (ALG)

(Jointly Administered)

**PRELIMINARY OBJECTION AND RESERVATION OF RIGHTS
BY THE OFFICIAL COMMITTEE OF RETIRED EMPLOYEES
OF EASTMAN KODAK COMPANY, ET AL. TO THE DEBTORS'
COMPENSATION PROPOSALS FOR SENIOR EXECUTIVES**

The Official Committee of Retired Employees of Eastman Kodak Company, *et al.* (the “Retiree Committee”) files this Preliminary Objection and Reservation of Rights in response to the Debtors’ proposals regarding compensation programs for senior executives and in support of this response states as follows:



1. On July 11, 2012, the Debtors filed a Motion for an Order Authorizing (A) the Proposed Emergence Performance Plan and Payments, if Earned, under the Previously Approved Excel Incentive Program and (B) the Assumption of an Individual Incentive Agreement (the “KEIP Motion”)¹ [Docket No. 1625]. Subsequently, on July 27, 2012, the Debtors filed a pleading adjourning the portion of KEIP Motion solely related to the Proposed Emergence Performance Plan (the “Modification Pleading”) [Docket No. 1771]. The Modification Pleading still proposes that the Debtors be permitted to extend the existing “EXCEL” compensation program to senior executives and to assume a prepetition individual incentive agreement with one of the Debtors’ senior executives.

2. Apart from the assumption of the Individual Agreement with respect to the proposed IP Award to Laura Quatela, who the Retiree Committee recognizes as instrumental to the sale of the Debtors’ intellectual property, the Debtors’ KEIP Motion, even as modified, appears to be ill-timed and premature. At this juncture, there are many uncertainties to the Debtors’ cases and proposed restructuring. Most notably, the anticipated auction and sale of the Debtors’ intellectual property, which appear critical to the success of the Debtors’ emergence plan, have not yet occurred. There are simply too many important components of the Debtors’ cases that are currently in flux. Under these circumstances, a determination on management compensation is not appropriate.

3. Additionally, the Debtors’ pleadings do not sufficiently disclose all of the information that would be necessary for the Court or interested parties to properly evaluate the merits of the KEIP Motion. In fact, many of the terms of the proposed program are not disclosed.

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the KEIP Motion.

4. It is the Retiree Committee's view that the Debtors would be better served by focusing on the impending intellectual property sale and related disputes, and their restructuring efforts, rather than on a bonus program for management personnel. At this time consideration of the KEIP Motion would be disruptive and divisive.

5. Once the sale process has concluded, and after sufficient information supporting the Debtors' KEIP Motion is disclosed, the Retiree Committee will be willing to work with the Debtors to determine whether certain additional or different compensation programs would be warranted. Until such time as that has occurred, the Retiree Committee respectfully submits that a decision by the Court on the instant motion should be deferred.

6. The Retiree Committee reserves the right to object to any further incentive programs or the KEIP incentive program if/when these programs are reasserted by the Debtors.

WHEREFORE, the KEIP Motion should either be denied without prejudice to renew or the KEIP Motion should be continued and such other and further relief as is warranted should be granted.

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/s/ Andrew I. Silfen
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