

# Judge Clears Kodak to Pay \$6 Million in Performance-Based Bonuses

AUG. 6, 2012

A judge on Monday cleared Eastman Kodak Co. (EKDKQ) to pay up to \$4.5 million in bonuses to 12 top executives and senior managers, along with a one-time cash payment of up to \$1.5 million to its chief operating officer.

Judge Allan L. Gropper of U.S. Bankruptcy Court in Manhattan approved the continuation of the bonus programs, which Kodak put in place before its January bankruptcy filing. Co-President and Chief Operating Officer Laura G. Quatela can earn between \$600,000 and \$1.5 million based on how much money Kodak raises in an upcoming auction of its patent portfolio and how quickly such a sale closes. An auction of those patents is set for this week: Kodak has said it can get more than \$2 billion for the digital patents.

The other bonus package approved by Judge Gropper authorizes the payment of up to \$4.5 million to Kodak insiders and executives, including Chairman and Chief Executive Antonio M. Perez and Chief Financial Officer Antoinette P. McCorvey. Those bonuses are tied to Kodak's financial performance, and the system has been in place for more than 10 years.

About 250 other Kodak managers have been participating in the program since the bankruptcy filing, but the company held off the request for including the executives and insiders until now.

Kodak last week postponed asking for its larger, \$9 million bonus plan for insiders and managers after several parties objected. While those bonuses weren't on the docket Monday, they still came up in court.

Haskell Slaughter Young & Rediker LLC's R. Scott Williams, a lawyer for a committee of Kodak's retirees, said the timing of the bonuses was curious.

"I don't know executives that get bonuses when a company is losing money hand over fist," Mr. Williams said. Kodak last week reported a \$299 million loss for the second quarter, including \$160 million in reorganization costs. While Mr. William's was officially referring to the bonuses approved Monday, Judge Gropper was skeptical.

"Some of the rhetoric I heard is directed at that aspect of the plan," the judge said, referring to the \$9 million bonus plan.

The Bankruptcy Code generally bars retention payments for executives and other insiders but allows bonuses for these high-ranking officials as long as they are tied to benchmarks that require some stretching to achieve.

In court papers, the retirees had urged the company to hold off on the bonuses until after the patent auction, which will influence the success of its restructuring.

Earlier in the hearing, Sullivan & Cromwell LLP's Marc R. Trevino defended Kodak's management team, especially against contentions that the team "drove" the company into bankruptcy and now seeks bonuses. On several occasions, he looked directly over to the table of lawyers objecting to the bonuses while making his points.

"This is a talented team that has worked tirelessly to transform the debtors," Mr. Trevino said. While the objectors' intuition was that the management team is to blame, he said, "like all intuitions, they can be wrong."

Kodak, based in Rochester, N.Y., filed for Chapter 11 protection in January after failing to sell its patents outside of bankruptcy court. The company's photography-driven business became marginalized by increased digital competition, and it struggled with high labor and pension costs.

A successful restructuring of the iconic company hinges on the sale of the patents, which the company will auction off later this week. Bidders, according to The Wall Street Journal, include Apple Inc. (AAPL), Microsoft Corp. (MSFT) and Google Inc. (GOOG). Kodak is counting on the sale of those patents to pay its creditors.

In February, Kodak said it will close its camera business, which makes digital cameras, pocket video cameras and digital picture frames, in a move that could save it \$100 million annually. Kodak intends to focus on retail and desktop-inkjet printing rather than photography after it completes its restructuring.

Dow Jones Daily Bankruptcy Review covers news about distressed companies and those under bankruptcy protection. Go to <http://dbr.dowjones.com>)

--Jacqueline Palank in Washington contributed to this article.

Write to Joseph Checkler at [joseph.checkler@dowjones.com](mailto:joseph.checkler@dowjones.com). Follow him on Twitter at @JoeCheckler

Subscribe to WSJ: <http://online.wsj.com?mod=djnwires>

Copyright © 2012 Dow Jones Newswires

---

**Original URL:**

<http://www.foxbusiness.com/technology/2012/08/06/judge-clears-kodak-to-pay-6-million-in-performance-based-bonuses/>