

## Q's & A's for US Employees

*These Q&As are for use by U.S. employees of Eastman Kodak Company (excluding subsidiaries). The intent of these Q&As is to respond to general questions raised by employees. Individual questions should be directed to the Kodak Employee Service Center at 866-308-4576.*

### **KRIP Distributions**

Note: It is important to understand that the federal rules regarding restricted pension plan payments are new, with little guidance available. The Q&As with respect to KRIP Traditional, Cash Balance, and STP benefits below reflect the general structure of how the process should work if restrictions are lifted, although adjustments may be made as the process unfolds.

#### **Q1: What should I do if I already submitted my pension distribution election forms?**

A1: You must complete new election forms for pension payments beginning after 1/1/2012. Those new forms will be sent to you shortly.

#### **Q2: What should I do if I received my pension distribution election forms but have not yet submitted them?**

A2: Please discard them – you will be sent new forms shortly.

#### **Q3: What will happen if the distribution restrictions are lifted and eligible participants can again receive lump sum payments?**

A3: After the distribution restrictions are lifted, you will receive new pension distribution election forms as soon as administratively possible and have the opportunity to elect a previously restricted form of payment, such as a lump sum.

#### **Q4: I understand that I can't elect a lump sum payment. What are my other payment options?**

A4: You will be able to elect a variety of annuity payment options or defer the start of your benefit. The annuity payment options are described in the KRIP and Termination Benefits chapters of the You & Kodak Handbook, a copy of which is located in the myBenefits website at <http://benefits.kodak.com>. These chapters also describe the payment processing rules.

#### **Q5: What interest rate and other assumptions will be used to determine lump sums if they are permitted again?**

A5: Generally, if you elect to receive an annuity during the restricted period, then your lump sum will be determined as of your original payment effective date using the assumptions in effect at that time, and then adjusted primarily to reflect any annuity payments received. If instead you elect to defer all payments to a later time, then your lump sum will be determined using the assumptions in effect when you eventually elect to receive payment. In all cases, lump sums will be calculated under the normal KRIP rules, except that they will be adjusted to reflect any annuity payments received during the restriction period.

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**Q6: If I can't elect a lump sum payment now, is there a way that my lump sum can go to my survivors if I die before the restrictions are lifted?**

A6: Yes. If you elect a joint and survivor annuity, then your designated survivor will receive survivor annuity payments while the restrictions remain in effect, and the balance of your benefit will be paid as a lump sum if he or she is alive on the effective date of payment after restrictions are lifted.

Also, for Cash Balance and STP benefits, if you elect to defer your payments, your survivor will be eligible for benefits under the normal rules.

If you elect a straight life annuity, your survivors will not be eligible for any benefits in the event of your death.

**Q7: How do I know if I am subject to the distribution restrictions?**

A7: You are not subject to the restrictions if you both:

- terminated employment prior to January 1, 2012, and
- submitted your properly completed distribution election forms in time for a January 1, 2012, payment effective date.

If you meet these requirements, then the restrictions do not apply.

**Q8: What happens if the actuaries certify that KRIP does not satisfy the applicable funding standard to enable lump sum distributions?**

A8: Your election for the restricted period will remain in effect until either the actuary certifies that the lump sum funding standard has been met, or Kodak emerges from bankruptcy. (It should be noted that, as periodically communicated, the Pension Protection Act of 2006 imposed funding standards for lump sum payments even if a company is not in bankruptcy, but KRIP is currently funded well above those.) It is expected that the actuary will be able to certify whether or not KRIP is sufficiently funded in the next several months.

**Q9: If KRIP is certified as meeting the lump sum standard during 2012, and if the company remains in Chapter 11 during 2013, will a new actuarial certification be required to enable lump sum payments in 2013?**

A9: Yes. Under those conditions, lump sums would be available through 12/1/2012, after which time a new certification would be required.

**Q10: If the actuarial certification concludes that KRIP does not meet the lump sum standard, when will be the next opportunity to make this assessment?**

A10: The next opportunity to make this assessment will be sometime in 2013.

**Q11: Can the company change my KRIP benefits or payment options (e.g., eliminate the lump sum option)?**

A11: Other than with respect to the restrictions on lump sum payments that we have previously described, KRIP benefits that have already been earned and the payment options with respect to those benefits currently cannot be limited. KRIP benefits yet to be earned and payment options with respect to those benefits can be changed prospectively. As always, any benefits under KRIP are subject to changes in applicable law which may, in the future, require or authorize different limits.

**Q12: Why does the PBGC's website say KRIP is only 86% funded, when we have been told**

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### **the funding level is higher?**

A12: There are different ways to measure a pension plan's funding level, and the PBGC typically uses a more conservative method than will be used to determine whether any payment restrictions apply during Chapter 11. Also, the PBGC is combining KRIP and the Qualex pension plan (the latter of which is not as well funded) for determining the 86% funding level.

### **Q13: Can the PBGC require the company to discontinue STP benefits?**

A13: While the PBGC has a variety of tools to help protect pension plan participants, they generally cannot require a company to eliminate a specific benefit provided under a plan.

### **Q14: Can I roll my annuity payments into SIP, an IRA, or another qualified retirement plan?**

A14: No, annuity payments from KRIP – whether Traditional, Cash Balance, or STP – are not eligible for rollover.

### **Q15: Don't you have to give notice 30 days before the restriction on KRIP lump sum payments takes effect?**

A15: We were required by law to put the lump sum restriction into effect immediately on Kodak filing for Chapter 11. Although notice was not required until 30 days after the restriction took effect, we tried to notify most affected participants on the day of filing through the January 19 Q&As.

### **Q16: Why are my own Cash Balance contributions payable only as an annuity, and what happened to the portability of Cash Balance?**

A16: "Cash Balance" consists of two pieces. One piece is a KRIP benefit which is based on a yearly 4% accrual of your annual participating compensation. All KRIP benefits are funded by company contributions, as required.

The other piece is a SIP benefit which is based on your contributions and company matching contributions. All of these contributions are deposited into your individual SIP account and are immediately vested.

The current unavailability of lump sums due to the Chapter 11 filing applies to KRIP benefits only. The Chapter 11 filing does not affect your SIP benefits so you can still elect a variety of payment options, including a lump sum that can be rolled over.

### **Other Benefits**

#### **Q17: Will the SIP match continue?**

A17: The court has granted Kodak's request to continue the SIP match, and at this time we do not have any plan to change the match. Please keep in mind, however, the company's long standing policy that it reserves the right to amend or terminate any benefit plan at any time.

#### **Q18: Is the recent change to the Fixed Income Fund a result of Kodak's Chapter 11 filing?**

A18: No. This change was due to changes in market conditions and was unrelated to the Chapter 11 filing. The "wrap agreements" that helped protect participant's principle and accrued interest became substantially more expensive and difficult to obtain. As a consequence, some firms that currently provide wrap agreement services to the Fixed Income Fund have notified SIP that they will no longer offer this service. As a result, SIP had to make a change to the structure of the fund.

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### Other Topics

#### **Q19: What is the \$11,725 payment limit referred to in the Chapter 11 motion?**

Q19: The Bankruptcy Code grants priority status to the extent of \$11,725 per employee for certain pre-filing employee pay. In the first day filing, we requested the court to grant approval to the company to pay salaries, accrued vacation, commissions, and other similar special payments that had accrued for services and performance before filing. The motion has two parts. Because the first part of the motion was granted immediately, the court limited our authority to this \$11,725 cap. We expect a final order that is not limited by the cap around February 15. If, as expected, the court approves the removal of the cap in February, full payments will be made, including the retroactive payment of any amount over \$11,725 that was held back.

#### **A20: Will the \$11,725 limit effect the payment of my accrued vacation when I leave the company?**

A20: As indicated in Q&A19, we filed a motion with the court seeking the authority to pay all accrued vacation – including amounts over the limit – and we expect a final order granting this authority in mid-February. For employees who leave the company before issuance of the final order, payment of accrued vacation will be deferred until after the order is issued. Assuming approval by the court, the full accrued vacation amount will be paid in a lump sum in the first payroll administratively possible following court approval. Although we could make a payment up to a maximum of \$11,725 (taking into account other pre-petition employee pay that counts toward this amount), administrative constraints do not provide us with the flexibility to make partial payments for accrued vacation during this period.

#### **Q21: Why isn't GVP or Wage Dividend being paid for 2011?**

A21: As a reminder, the payout of all components of GVP (corporate, segment, and individual) is subject to the company achieving a minimum cash performance threshold for the year. (The GVP performance threshold was introduced beginning with the 2009 performance year.) Because the cash threshold was not met, there will be no payments under the GVP plan for the 2011 performance year.

The company also considers cash performance when determining U.S. wage dividend award. Payment decisions for wage dividend are determined by company management based on the company's financial performance. Given the company's results for the 2011 performance year, it was determined that there will be no wage dividend payout.

#### **Q22: How and when will the 2012 GVP corporate and segment metrics be communicated?**

Q22: We filed a motion with the court seeking authority to continue our 2012 variable pay plans. Assuming the court approves this request, we will continue our normal process which would involve senior management setting the metrics and supervisors communicating the metrics sometime in the second quarter.

*All information in this document is subject to applicable law and the terms of the relevant plan document, which will govern if there are any differences. The company reserves the right to amend or terminate any benefit or compensation plan at any time.*