

## ***Eastman Kodak Q's and A's for Employees***

February 14, 2012

These Q&As, as well as those previously issued on January 19 and 25, are for use by U.S. employees of Eastman Kodak Company (excluding subsidiaries). The intent of the Q&As is to respond to general questions raised by employees. Previously issued Q&As can be found through the "US Important Information" box on the myHR page located in the myHR website at <http://workforce.kodak.com>. If you have questions about Chapter 11 or how it impacts benefits, contact the information hotline at 888-249-2721 or 310-751-2604 . For general benefits questions, contact the Kodak Employee Service Center at 866-308-4576.

### **Kodak Retirement Income Plan (Traditional KRIP & Cash Balance) Benefits**

*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: Are the references to being "fully funded" and "100% funded" the same requirements that the actuaries need to determine KRIP's status?**

A1: Generally, yes. However, there are different funding measurements (known as "valuations") that are used for different purposes, so where the plan may be fully funded for one purpose, it may not be fully funded for other purposes. The actuary will apply the appropriate calculation to the situation as warranted.

#### **Q2: Is the calculation for determining whether or not KRIP is 100% funded for purposes of being able to pay lump sums the same calculation that is used for the KRIP Annual Funding Notice, which in 2010 was 96.57%?**

A2: No. As noted in Q&A1 above, there are different funding calculations that are used for different purposes. The calculation used for the KRIP Annual Funding Notice is a different calculation than what is used for determining the funding status for purposes of paying lump sums.

#### **Q3: Must both the Qualex pension plan and KRIP be fully funded in order for lump sums to be taken out of KRIP?**

A3: No. Only KRIP needs to be fully funded under the applicable valuation for lump sums to be available under KRIP while Kodak is in Chapter 11. Note that the Qualex pension plan does not permit lump sum as a payment option.

#### **Q4: Is Kodak making cash contributions into KRIP?**

A4: Pension funding rules are complex. Companies are not required to make regular payments to their pension funds unless funding levels fall below a certain point. Given that KRIP is well funded, there has been no need for cash contributions to be made by Kodak into the plan for many years.

#### **Q5: If the pension plan is found to be funded at less than 100%, can Kodak petition the**

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### **courts to allow lump sum payments for pension and STP benefits under KRIP?**

A5: No. The restriction on lump sum payments is applied by federal law under the Pension Protection Act.

### **Q6: If KRIP is taken over by the PBGC, does the individual receive the amount they would have received from Kodak as a pension payment?**

A6: The level of current plan assets, your age, your accrued benefit, and the timing of a PBGC takeover could all impact your actual benefit. You can access information by going online to [www.PBGC.gov](http://www.PBGC.gov), or by writing to their Consumer Information Center, Dept. YGP, Pueblo, Colorado 81009.

### **Q7: If KRIP is taken over by the PBGC, do Cash Balance benefits under KRIP fall under the same maximum limits as Traditional benefits?**

A7: Yes.

### **Q8: Can I collect unemployment insurance while receiving pension (including STP) benefits as a monthly annuity from KRIP?**

A8: Unemployment benefits vary by state, and any questions regarding eligibility for these benefits should be directed to your state's unemployment office.

### **Q9: Do the lump sum restrictions apply to employees who have Cash Balance benefits under KRIP? If so, what options will I have if I leave the company while the restrictions are in effect?**

A9: Both Cash Balance and Traditional benefits under KRIP are subject to the lump sum restrictions, so Cash Balance participants have the same annuity options as Traditional KRIP participants. The annuity payment options are described in 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. Note: SIP benefits attributable to Cash Balance matching contributions are not part of KRIP and, therefore, not subject to these lump sum restrictions.

### **Q10: I have Cash Balance benefits under KRIP. If I die, can my spouse/survivor still take a lump sum while the restrictions are in effect?**

A10: 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 can 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.

Refer to the Cash Balance summary of the You & Kodak Handbook for the annuity **payment** options. The summary can be found on the myBenefits website at <http://benefits.kodak.com>.

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**Q11: Can I roll over monthly annuity payments from KRIP into a tax-deferred retirement account (e.g., SIP or an IRA)?**

A11: No. Monthly annuity payments are not eligible for rollover.

**Q12: If I have to take an annuity and I am not age 55 (or 59 ½) when I leave the company, will I have to pay a penalty since I can't roll over my payments?**

A12: There are no additional penalties under the monthly annuity options. However, you will have to pay federal and state taxes on the monthly annuity payments. You should check with your tax advisor if you have any questions about the tax implications of taking a monthly annuity.

**Q13: If I elect to take an annuity, when do I start receiving my payments?**

A13: If you elect to begin receiving your benefit immediately, the first payment will be made as soon as administratively practicable after your elected payment date (always the first of a month). The timing of the first payment will vary based on the date required paperwork is submitted. Typically payments are commenced within 30 to 60 days after an elected payment date.

**Q14: If the company gets sold, what happens to KRIP benefits (Traditional and Cash Balance)? Will I be able to elect a lump sum at that time?**

A14: There are a variety of potential outcomes resulting from a change in control as they are dependent on the circumstances at the time. However, accrued U.S. pension plan benefits are protected by law and cannot be reduced or eliminated by a purchaser. Further, assets to pay those benefits are set aside in a trust, and generally cannot be used for any other purpose by a purchaser.

**Q15: If Kodak gets a large sum of money from either the sale of the digital camera patent portfolio or from successfully winning lawsuits against Apple, RIMS, Samsung, etc., will the PBGC require Kodak to fully (100%) fund the KRIP pension fund?**

A15: Pension funding rules are very complex. The company cannot speculate on what the PBGC would do as the answer would be dependent upon the situation at the time.

### **Termination Benefits**

**Q16: Do employees impacted by a layoff still receive 4 months of company-paid insurance?**

A16: Yes. Currently, company-paid medical, dental and Basic life insurance continues for four months following the termination date.

**Q17: The company has stated an intention to continue STP benefits during Chapter 11. Are these benefits legally guaranteed while the company is in Chapter 11, or could they be waived or revoked?**

A17: The current STP benefits program will continue to be available for eligible employees who leave the company on or before December 31, 2012. Termination benefits offered beyond 2012 will be evaluated in the ordinary course of business and under supervision of the court, as appropriate.

**Q18: Can I decline my STP benefit or delay it in order to qualify for unemployment**

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### **benefits?**

A18: You can defer payment of your STP benefit (as well as pension benefit) until the first of the month after your 65th birthday. Unemployment benefits vary by state, and any questions regarding eligibility for unemployment should be directed to your state's unemployment office.

### **Q19: Will payment of the STP annuity start immediately after the elected payment date even if I am not yet eligible to retire?**

A19: You can elect to begin receiving your STP benefit immediately, and the first payment will be made as soon as administratively practicable after your elected payment date (always the first of a month). The timing of the first payment will vary based on the date required paperwork is submitted. Typically payments are commenced within 30 to 60 days after an elected payment date.

### **Q20: What is meant by STP being paid as an annuity? Will my STP annuity be separate from my pension annuity?**

A20: With an annuity, you receive a stream of equal monthly payments for a period equal to your lifetime if the annuity is a straight life annuity or the lifetimes of you and your beneficiary, whichever lasts longer, if the annuity is a joint and survivor annuity. There are several annuity options to choose from for STP benefits, all of which are described in the Termination Benefits summary located on the myBenefits website at <http://benefits.kodak.com>.

Your STP benefit is a separate benefit from your pension benefit, so your election for the STP benefit is separate from your pension election.

### **Q21: If it is determined that KRIP is not fully funded, could the company elect to discontinue paying STP benefits under KRIP and instead pay termination benefits through TAP as a lump sum?**

A21: The current STP benefits program will continue to be available for eligible employees who leave the company on or before December 31, 2012. Termination benefits offered beyond 2012 will be evaluated in the ordinary course of business. Note: TAP does not provide for lump sum payments.

### **Q22: Will there be any changes in the manner in which employees are terminated as a result of the restructuring, including STP benefits?**

A22: The company will continue to comply with applicable law such as the WARN Act. For example, 60-day notice for all states except New York State which is 90 days.

### **Q23: What happens to my STP annuity payment if my spouse doesn't sign the Spousal Consent form?**

A23: If you elect a 50% or 75% Joint & Survivor annuity, spousal consent is not required. If you are married and elect a straight life annuity and your spouse does not sign the spousal consent, your annuity payments will not begin.

## **Vacation Benefits**

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**Q24: In the Q&As issued by Corporate Messenger on January 25, Q&A20 described what will happen to my "accrued vacation" if I leave the company. What vacation is included in that phrase and does it matter if I leave the company voluntarily or involuntarily?**

A24: "Accrued vacation" includes all of your unused 2012 vacation and any 2011 carryover vacation. It does not include vacation purchased through the Vacation Buy Plan. If you leave the company voluntarily or involuntarily, the payment process described in Q&A20 issued on January 25 will apply.

**Q25: What happens to the accrued vacation if the approval by the court is not received? If I'm over the \$11,725 limit and I leave the company, does this mean I won't get reimbursed for my accrued vacation?**

A25: If we do not receive approval from the court, we will not be able to make any payments above the approved limit for pre-petition obligations such as accrued vacation.

**Q26: Is my accrued vacation pay provided as a lump sum not to exceed the \$11,725 maximum?**

A26: The \$11,725 limit per employee includes salaries, accrued vacation, commissions, and other special payments earned prior to the filing date of January 19, 2012. Refer to the Q&As issued by Corporate Messenger on January 25, 2012, for more details.

**Q27: If I leave the company as a result of a layoff, will my 2012 vacation be prorated?**

A27: No. Your 2012 vacation was earned on December 31, 2011. If you leave the company, you will receive payment of any unused 2012 vacation and carryover, if any, subject to court approval.

**Q28: What happens to purchased vacation when an employee leaves?**

A28: Any unused purchased vacation will be included with the employee's last paycheck or the paycheck following the employee's last regular paycheck. The amount of purchased vacation returned will be based on the number of payroll deductions you had prior to leaving the company.

### **Other**

**Q29: Will there be changes to employee benefits due to the Chapter 11 filing? If so, when will we know what the changes are?**

A29: Changes in benefits, if any, will be evaluated in the ordinary course of business and under supervision of the court, as appropriate. Any changes will be communicated to you promptly.

**Q30: If Kodak discontinues access to retiree health care as part of a court ruling, do the dependents of a retiree qualify for the PBGC's Health Coverage Tax Credit (HCTC)?**

A30: Our understanding is that this tax credit is only available under circumstances where the PBGC takes over a pension plan. Questions about the tax credit should be directed to the PBGC.

**Q31: Are employees who are downsized considered creditors?**

A31: Any individual to whom the company has an unpaid obligation is considered an unsecured creditor under the Chapter 11 proceedings.

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**Q32: If past salary benchmarking indicated the need for base salary + GVP and GVP is not paid, will base salaries be adjusted relative to benchmark information?**

A32: No. Our approach is consistent with how other companies set Total Target Cash compensation. Actual cash earned in any one year, whether above or below target, does not impact the benchmarking process as the incentive opportunity is competitive.

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 with our normal process for GVP, which includes sharing GVP metrics for the 2012 performance year once the plan and the metrics are approved.

**Q33: If a percentage of past salary increases were withheld to fund future GVP payout, can that withholding be applied to increase base salaries?**

A33: No. Over the years as we transition to global variable pay, we have been directing the cash compensation increases budgeted by the company to the portion of compensation where we had the greatest gap to the market, which was the level of variable compensation. No funds were withheld from employees, and no base salary reductions were made to fund variable pay.

**Q34: Does Chapter 11 change the notice period for termination of employment?**

A34: No, there is no change in the notice period requirements (90 days in New York State, 60 days in all other states).

**Q35: Does the existence of a non-compete agreement impact any severance payouts?**

A35: No. If termination benefits are paid to an employee, these benefits are provided regardless of the existence of a non-compete agreement. The company historically has required compliance with non-compete agreements, even where an employee is terminated involuntarily.

**Q36: Are non-compete agreements enforceable in this Chapter 11 situation?**

A36: Yes.