September 17, 2012

TO: U.S. Kodak Employees
FROM: Global Benefits Organization
SUBJECT: Pension Certification Related to Lump Sums

While Kodak is in Chapter 11, the Kodak Retirement Income Plan (KRIP) cannot pay lump sums for Traditional pension, Cash Balance pension, or Special Termination Program (STP) benefits to anyone who leaves or has a payment effective date on or after the Chapter 11 filing date, unless the plan's actuaries certify that KRIP is funded at 100% or greater under the valuation that applies to benefit restrictions.

The actuaries have completed the certification for 2012 and have determined this funding to be 73.72%. As a result, the lump sum payment option will not be reinstated for the remainder of 2012.

As some of you may know, a federal law commonly referred to as "MAP-21" was recently passed which, in part, allows pension plans to use more favorable interest rates for purposes of determining a plan's funding for benefit restrictions and other purposes. Although these rates must be used for 2013 valuations, the law gave employers sponsoring pension plans the option to elect out of this relief for some or all of their 2012 valuations.

Kodak has elected not to use this relief for the 2012 valuation that applies to benefit payment restrictions. This decision was based upon communications with representatives from the Pension Benefit Guaranty Corporation (PBGC), who informed Kodak that if lump sum payments are reinstated this year, they would likely take action to terminate KRIP. If the PBGC succeeded in terminating KRIP, that would result in the permanent elimination of lump sum payments, the immediate termination of STP benefits, and the reduction of KRIP pension benefits for many participants. As a result, it was clear that opting out of MAP-21 for 2012 was better overall for KRIP participants.

As you evaluate what this news means to you, consider these points:

- As we have noted, those who have left or who will leave the company while the lump sum payment restriction is in place will have an opportunity to make a new election should the lump sum payment option be reinstated in the future.
- Another certification related to benefit restrictions will be completed in 2013.
- Although KRIP's funding level is not sufficient to reinstate lump sum payments, the plan remains well funded and is not projected to require company contributions for several years. The 2012 funding level used for benefit restrictions is substantially less than 100% because the plan's credit balance of over $1 billion must be subtracted from plan assets when calculating the benefit restriction percentage. KRIP is currently around 100% funded when you compare its current assets (including the credit balance) to its liabilities calculated under the federal rules applicable for determining company contributions.

We realize today's announcement may be disappointing news; however, the company believes that this decision is in the best interest of all KRIP participants.

Questions and Answers

What federal law was passed that allows pension plans to use more favorable interest rate assumptions?
In July, the Moving Ahead for Progress in the 21st Century Act (MAP-21) was passed. One of the primary purposes of MAP-21 was to reduce the cash contributions that employers would otherwise have to make to their pension plans as a result of historically low interest rates.

So with MAP-21 relief, would KRIP have met the 100% funding level for 2012?
Yes, that would have been the result.

Did the company choose to elect out of MAP-21's application for purposes of the 2012 benefits restriction valuation to discourage employees from leaving the company before December?
No. As discussed above, the decision was made to avoid the PBGC from taking action to terminate KRIP.

Why does the PBGC oppose reinstatement of lump sum payments?
As stated by the PBGC, it "believes that [the plan's] reinstatement of lump sum payments could increase [the] PBGC's potential loss significantly" if they assume responsibility for KRIP.