

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended June 30, 2014**

or

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 1-87**

**EASTMAN KODAK COMPANY**

(Exact name of registrant as specified in its charter)

**NEW JERSEY**  
(State of incorporation)

**16-0417150**  
(IRS Employer Identification No.)

**343 STATE STREET, ROCHESTER, NEW YORK**  
(Address of principal executive offices)

**14650**  
(Zip Code)

**Registrant's telephone number, including area code: 585-724-4000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| <b>Title of each Class</b>     | <b>Number of Shares Outstanding at<br/>August 1, 2014</b> |
|--------------------------------|---|
| Common Stock, \$0.01 par value | 41,729,327  |



**EASTMAN KODAK COMPANY**  
**Form 10-Q**

**June 30, 2014**

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

EASTMAN KODAK COMPANY  
CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

(in millions, except per share data)

|   | Three Months Ended<br>June 30, |             | Six Months Ended<br>June 30, |             |
|---|--------------------------------|-------------|------------------------------|-------------|
|   | Successor                      | Predecessor | Successor                    | Predecessor |
|   | 2014                           | 2013        | 2014                         | 2013        |
| Revenues  |                                |             |                              |             |
| Sales   | \$ 429                         | \$ 472      | \$ 818                       | \$ 961      |
| Services  | 96                             | 111         | 191                          | 216         |
| Total revenues  | 525                            | 583         | 1,009                        | 1,177       |
| Cost of revenues  |                                |             |                              |             |
| Sales   | 350                            | 365         | 671                          | 726         |
| Services  | 73                             | 85          | 147                          | 169         |
| Total cost of revenues  | 423                            | 450         | 818                          | 895         |
| Gross profit  | 102                            | 133         | 191                          | 282         |
| Selling, general and administrative expenses  | 85                             | 115         | 172                          | 233         |
| Research and development costs  | 26                             | 25          | 53                           | 50          |
| Restructuring costs and other   | 20                             | 29          | 33                           | 40          |
| Other operating income, net   | -                              | (1)         | -                            | (495)       |
| (Loss) earnings from continuing operations before interest expense, other income (charges), net, reorganization items, net and income taxes | (29)                           | (35)        | (67)                         | 454         |
| Interest expense  | 16                             | 47          | 32                           | 72          |
| Loss on early extinguishment of debt  | -                              | -           | -                            | 6           |
| Other charges, net  | (2)                            | (3)         | (3)                          | (10)        |
| Reorganization items, net   | 5                              | 72          | 10                           | 192         |
| (Loss) earnings from continuing operations before income taxes  | (52)                           | (157)       | (112)                        | 174         |
| Provision for income taxes  | 8                              | 51          | -                            | 58          |
| (Loss) earnings from continuing operations  | (60)                           | (208)       | (112)                        | 116         |
| (Loss) earnings from discontinued operations, net of income taxes   | (2)                            | (16)        | 17                           | (57)        |
| Net (loss) earnings   | (62)                           | (224)       | (95)                         | 59          |
| Less: Net income attributable to noncontrolling interests   | -                              | -           | 3                            | -           |
| NET (LOSS) EARNINGS ATTRIBUTABLE TO EASTMAN KODAK COMPANY   | \$ (62)                        | \$ (224)    | \$ (98)                      | \$ 59       |
| Basic and diluted net (loss) earnings per share attributable to Eastman Kodak Company common shareholders:                                  |                                |             |                              |             |
| Continuing operations   | \$ (1.44)                      | \$ (0.76)   | \$ (2.76)                    | \$ 0.43     |
| Discontinued operations   | (0.05)                         | (0.06)      | 0.41                         | (0.21)      |
| Total   | \$ (1.49)                      | \$ (0.82)   | \$ (2.35)                    | \$ 0.22     |
| Number of common shares used in basic and diluted net (loss) earnings per share   | 41.7                           | 272.8       | 41.7                         | 272.7       |

The accompanying notes are an integral part of these consolidated financial statements.

**EASTMAN KODAK COMPANY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME (Unaudited)**

(in millions)

|   | Three Months Ended<br>June 30, |               | Six Months Ended<br>June 30, |               |
|---|--------------------------------|---------------|------------------------------|---------------|
|   | Successor                      | Predecessor   | Successor                    | Predecessor   |
|   | 2014                           | 2013          | 2014                         | 2013          |
| NET (LOSS) EARNINGS   | \$ (62)                        | \$ (224)      | \$ (95)                      | \$ 59         |
| Other comprehensive (loss) income, net of tax:  |                                |               |                              |               |
| Currency translation adjustments  | 6                              | (16)          | 7                            | 15            |
| Unrealized gains from investment, net of tax of \$0 for all periods presented   | 1                              | -             | 1                            | -             |
| Pension and other postretirement benefit plan obligation activity, net of tax of \$1 and \$23 for the three months ended June 30, 2014 and 2013, respectively, and \$1 and \$30 for the six months ended June 30, 2014 and 2013, respectively | (15)                           | 407           | (15)                         | 448           |
| Total comprehensive (loss) income, net of tax   | (70)                           | 167           | (102)                        | 522           |
| Less: comprehensive income attributable to noncontrolling interest  | -                              | -             | 3                            | -             |
| COMPREHENSIVE (LOSS) INCOME, NET OF TAX ATTRIBUTABLE TO EASTMAN KODAK COMPANY   | <u>\$ (70)</u>                 | <u>\$ 167</u> | <u>\$ (105)</u>              | <u>\$ 522</u> |

The accompanying notes are an integral part of these consolidated financial statements.

**EASTMAN KODAK COMPANY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)**

(in millions)

|  | As of<br>June 30,<br>2014 | As of<br>December 31,<br>2013 |
|--|---------------------------|-------------------------------|
| <b>ASSETS</b>  |                           |                               |
| <b>Current Assets</b>  |                           |                               |
| Cash and cash equivalents  | \$ 768                    | \$ 844                        |
| Restricted cash  | 15                        | 35                            |
| Receivables, net   | 464                       | 571                           |
| Inventories, net   | 416                       | 358                           |
| Deferred income taxes  | 44                        | 48                            |
| Assets held for sale   | 33                        | 95                            |
| Other current assets   | 22                        | 20                            |
| Total current assets   | 1,762                     | 1,971                         |
| Property, plant and equipment, net of accumulated depreciation of \$163 and \$67, respectively | 600                       | 684                           |
| Goodwill   | 96                        | 88                            |
| Intangible assets, net of accumulated amortization of \$21 and \$8, respectively               | 206                       | 219                           |
| Restricted cash  | 39                        | 79                            |
| Deferred income taxes  | 51                        | 54                            |
| Other long-term assets   | 99                        | 105                           |
| <b>TOTAL ASSETS</b>  | <b>\$ 2,853</b>           | <b>\$ 3,200</b>               |
| <b>LIABILITIES AND EQUITY</b>  |                           |                               |
| <b>Current Liabilities</b>   |                           |                               |
| Accounts payable, trade  | \$ 234                    | \$ 281                        |
| Current portion of long-term debt  | 4                         | 4                             |
| Liabilities held for sale  | 21                        | 38                            |
| Other current liabilities  | 486                       | 562                           |
| Total current liabilities  | 745                       | 885                           |
| Long-term debt, net of current portion   | 673                       | 674                           |
| Pension and other postretirement liabilities   | 523                       | 572                           |
| Other long-term liabilities  | 364                       | 421                           |
| Total Liabilities  | 2,305                     | 2,552                         |
| Commitments and Contingencies (Note 5)   |                           |                               |
| <b>Equity</b>  |                           |                               |
| Common stock, \$0.01 par value   | -                         | -                             |
| Additional paid in capital   | 615                       | 613                           |
| Accumulated deficit  | (179)                     | (81)                          |
| Accumulated other comprehensive income   | 92                        | 99                            |
|  | 528                       | 631                           |
| Less: Treasury stock, at cost  | (3)                       | (3)                           |
| Total Eastman Kodak Company shareholders' equity   | 525                       | 628                           |
| Noncontrolling interests   | 23                        | 20                            |
| Total equity   | 548                       | 648                           |
| <b>TOTAL LIABILITIES AND EQUITY</b>  | <b>\$ 2,853</b>           | <b>\$ 3,200</b>               |

The accompanying notes are an integral part of these consolidated financial statements.

**EASTMAN KODAK COMPANY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**

(in millions)

|  | <b>Six Months Ended</b> |                    |
|--|-------------------------|--------------------|
|  | <b>June 30,</b>         |                    |
|  | <b>Successor</b>        | <b>Predecessor</b> |
|  | <b>2014</b>             | <b>2013</b>        |
| Cash flows from operating activities:                              |                         |                    |
| Net (loss) earnings  | \$ (98)                 | \$ 59              |
| Adjustments to reconcile to net cash used in operating activities: |                         |                    |
| Depreciation and amortization                                      | 112                     | 95                 |
| Net gain on sales of businesses/assets                             | (22)                    | (569)              |
| Loss on early extinguishment of debt                               | -                       | 6                  |
| Non-cash restructuring costs, asset impairments and other charges  | 2                       | 81                 |
| Non-cash reorganization items, net                                 | (8)                     | 91                 |
| Provision for deferred income taxes                                | 2                       | 32                 |
| Decrease in receivables  | 113                     | 73                 |
| Increase in inventories  | (58)                    | (18)               |
| Decrease in liabilities excluding borrowings                       | (190)                   | (258)              |
| Other items, net   | 15                      | 6                  |
| Total adjustments  | (34)                    | (461)              |
| Net cash used in operating activities                              | (132)                   | (402)              |
| Cash flows from investing activities:                              |                         |                    |
| Additions to properties  | (13)                    | (16)               |
| Proceeds from sales of businesses/assets                           | 16                      | 537                |
| Release of restricted cash   | 60                      | 2                  |
| Marketable securities - sales                                      | -                       | 18                 |
| Marketable securities - purchases                                  | -                       | (17)               |
| Net cash provided by investing activities                          | 63                      | 524                |
| Cash flows from financing activities:                              |                         |                    |
| Repayment of emergence credit facilities                           | (2)                     | -                  |
| Proceeds from DIP Credit Agreements                                | -                       | 450                |
| Repayment of term loans under Original Senior DIP Credit Agreement | -                       | (664)              |
| Repayment of term loans under Junior DIP Credit Agreement          | -                       | (4)                |
| Net cash used in financing activities                              | (2)                     | (218)              |
| Effect of exchange rate changes on cash                            | (5)                     | (24)               |
| Net decrease in cash and cash equivalents                          | (76)                    | (120)              |
| Cash and cash equivalents, beginning of period                     | 844                     | 1,135              |
| Cash and cash equivalents, end of period                           | \$ 768                  | \$ 1,015           |

The accompanying notes are an integral part of these consolidated financial statements.

**EASTMAN KODAK COMPANY**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**

**NOTE 1: BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS**

**BASIS OF PRESENTATION**

The consolidated interim financial statements are unaudited, and certain information and footnote disclosures related thereto normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been omitted in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, the accompanying unaudited consolidated interim financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary to present fairly the results of operations, financial position and cash flows of Eastman Kodak Company (“EKC” or the “Company”) and all companies directly or indirectly controlled, either through majority ownership or otherwise (collectively, “Kodak”). The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. These consolidated interim financial statements should be read in conjunction with Kodak’s Annual Report on Form 10-K for the year ended December 31, 2013.

Effective August 31, 2013, Kodak sold certain utilities and related facilities and entered into utilities supply and servicing arrangements with RED-Rochester, LLC (“RED”), a variable interest entity (“VIE”). Kodak determined that it was the primary beneficiary of the VIE. Therefore, Kodak consolidates RED’s assets, liabilities and results of operations. Consolidated assets and liabilities of RED are \$79 million and \$2 million, respectively, as of June 30, 2014 and \$85 million and \$3 million, respectively, as of December 31, 2013. RED’s equity in those net assets as of June 30, 2014 and December 31, 2013 is \$21 million and \$18 million, respectively. The results of operations and cash flows of RED are immaterial to Kodak. RED’s results of operations are reflected in net income attributable to noncontrolling interest in the accompanying Consolidated Statement of Operations.

On January 19, 2012 (the “Petition Date”), the Company and its U.S. subsidiaries (collectively, the “Debtors”) filed voluntary petitions for relief (the “Bankruptcy Filing”) under chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). The cases (the “Chapter 11 Cases”) were jointly administered as Case No. 12-10202 (ALG) under the caption “In re Eastman Kodak Company.” The Debtors operated their businesses as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of chapter 11 of the Bankruptcy Code and the orders of the Bankruptcy Court until their emergence from bankruptcy. The Company’s foreign subsidiaries (collectively, the “Non-Filing Entities”) were not part of the Chapter 11 Cases, and continued to operate in the ordinary course of business.

Upon emergence from bankruptcy on September 3, 2013, Kodak applied the provisions of fresh start accounting which resulted in Kodak becoming a new entity for financial reporting purposes. Kodak applied fresh start accounting as of September 1, 2013. Accordingly, the consolidated financial statements on or after September 1, 2013 are not comparable to the consolidated financial statements prior to that date. References to “Successor” or “Successor Company” relate to the reorganized Kodak subsequent to September 3, 2013. References to “Predecessor” or “Predecessor Company” relate to Kodak prior to September 3, 2013.

*Reclassifications and Adjustments*

Certain amounts for prior periods have been reclassified to conform to the current period classification. In the first quarter of 2014, Kodak increased the value of goodwill determined as part of fresh start accounting by \$8 million to correct for a liability that should have been recorded at emergence.

**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 (“ASU 2014-09”), “Revenue from Contracts with Customers (Topic 606).” ASU 2014-09 supersedes the revenue recognition requirements in Topic 605, “Revenue Recognition” and most industry-specific guidance. The core principal of ASU 2014-09 is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 (January 1, 2017 for Kodak) and allows either a full retrospective adoption to all periods presented or a modified retrospective adoption approach with the cumulative effect of initial application of the revised guidance recognized at the date of initial application. Kodak is currently evaluating the impact of this ASU.

In April 2014, the FASB issued ASU No. 2014-08 (“ASU 2014-08”), “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360).” ASU 2014-08 defines a discontinued operation as a disposal of a component (or group of components) of an entity that was disposed of or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. A business activity that, upon acquisition, qualifies as held for sale will also be a discontinued operation. Presentation as a discontinued operation will no longer be precluded if there are operations and cash flows of the component that have not been eliminated from ongoing operations or if there is significant continuing involvement with the component. ASU 2014-08 introduces several new disclosures including disclosing cash flow information of discontinued operations either in the statement of cash flows or in a note, expanded disclosure when an entity retains a significant continuing involvement with a discontinued operation as well as for disposals of individually material components that do not qualify as discontinued operations. The amendments in the update are effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014 (January 1, 2015 for Kodak) to new disposals and new classifications of disposal groups as held for sale after the effective date. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. Kodak does not expect the adoption of this guidance to have a material impact on its Consolidated Financial Statements.



**NOTE 2: REORGANIZATION ITEMS, NET**

A summary of reorganization items, net is presented in the following table:

| (in millions)                          | Three Months Ended<br>June 30, |             | Six Months Ended<br>June 30, |             |
|--|--------------------------------|-------------|------------------------------|-------------|
|  | Successor                      | Predecessor | Successor                    | Predecessor |
|  | 2014                           | 2013        | 2014                         | 2013        |
| Professional fees                      | \$ 3                           | \$ 41       | \$ 8                         | \$ 99       |
| Provision for expected allowed claims  | (1)                            | 38          | (1)                          | 100         |
| Other items, net                       | 3                              | (7)         | 3                            | (7)         |
| Reorganization items, net              | \$ 5                           | \$ 72       | \$ 10                        | \$ 192      |
| Cash payments for reorganization items | \$ 8                           | \$ 58       | \$ 18                        | \$ 101      |

Costs directly attributable to the implementation of the plan of reorganization are reported as Reorganization items, net.

**NOTE 3: RECEIVABLES, NET**

| (in millions)  | As of            |                      |
|--|------------------|----------------------|
|  | June 30,<br>2014 | December 31,<br>2013 |
| Trade receivables  | \$ 381           | \$ 473               |
| Miscellaneous receivables  | 83               | 98                   |
| Total (net of allowances of \$9 and \$6 as of June 30, 2014 and December 31, 2013, respectively) | \$ 464           | \$ 571               |

Approximately \$31 million and \$39 million of the total trade receivable amounts as of June 30, 2014 and December 31, 2013, respectively, will potentially be settled through customer deductions in lieu of cash payments. Such deductions represent rebates owed to customers and are included in Other current liabilities in the accompanying Consolidated Statement of Financial Position.

**NOTE 4: INVENTORIES, NET**

| (in millions)   | As of            |                      |
|-----------------|------------------|----------------------|
|                 | June 30,<br>2014 | December 31,<br>2013 |
| Finished goods  | \$ 224           | \$ 185               |
| Work in process | 94               | 94                   |
| Raw materials   | 98               | 79                   |
| Total           | \$ 416           | \$ 358               |

## NOTE 5: COMMITMENTS AND CONTINGENCIES

### Environmental

Kodak's undiscounted accrued liabilities for future environmental investigation, remediation and monitoring costs are composed of the following items:

| (in millions)  | June 30,<br>2014 | As of<br>December 31,<br>2013 |
|--|------------------|-------------------------------|
| Eastman Business Park site, Rochester, NY                            | \$ -             | \$ 49                         |
| Other current operating sites  | 8                | 8                             |
| Sites associated with former operations                              | 12               | 13                            |
| Sites associated with the non-imaging health businesses sold in 1994 | 11               | 12                            |
| Total  | <u>\$ 31</u>     | <u>\$ 82</u>                  |

These amounts are reported in Other long-term liabilities in the accompanying Consolidated Statement of Financial Position.

Cash expenditures for investigation, remediation and monitoring activities are expected to be incurred over the next thirty years for most of the sites. For these known environmental liabilities, the accrual reflects Kodak's best estimate of the amount it will incur under the agreed-upon or proposed work plans. Kodak's cost estimates were determined using the ASTM Standard E 2137-06, "Standard Guide for Estimating Monetary Costs and Liabilities for Environmental Matters," and have not been reduced by possible recoveries from third parties. The overall method includes the use of a probabilistic model, which forecasts a range of cost estimates and a single most probable cost estimate for the remediation required at individual sites. For the purposes of establishing company-level environmental reserves, the single most probable cost estimate for each site is used. All projects are closely monitored and the models are reviewed at least once a year and as significant events occur. Kodak's estimate includes investigations, equipment and operating costs for remediation and long-term monitoring of the sites.

On June 17, 2013, the Company, the New York State Department of Environmental Conservation and the New York State Urban Development Corporation, d/b/a Empire State Development entered into a settlement agreement, subsequently amended on August 6, 2013 (the "Amended EBP Settlement Agreement"). The Amended EBP Settlement Agreement was subject to the satisfaction or waiver of certain conditions including a covenant not to sue from the U.S. Environmental Protection Agency ("EPA"). On May 13, 2014, the Bankruptcy Court approved the U.S. Environmental Settlement, which contained the EPA covenant not to sue, and on May 20, 2014 the Amended EBP Settlement Agreement was implemented and became effective. The Amended EBP Settlement Agreement included a settlement of certain of the Company's historical environmental liabilities at Eastman Business Park ("EBP") through the establishment of the EBP Trust as follows: (i) the EBP Trust is responsible for investigation and remediation at EBP arising from the Company's historical subsurface environmental liabilities in existence prior to the effective date of the Amended EBP Settlement Agreement, (ii) the Company funded the EBP Trust on the effective date with a \$49 million cash payment and transferred certain equipment and fixtures used for remediation at EBP and (iii) in the event the historical liabilities exceed \$99 million, the Company will become liable for 50% of the portion above \$99 million. Prior to the implementation of the Amended EBP Settlement Agreement, \$49 million was already held in a separate trust and escrow account.

Estimates of the amount and timing of future costs of environmental remediation requirements are by their nature imprecise because of the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the identification of presently unknown remediation sites and the allocation of costs among the potentially responsible parties. Based on information presently available, Kodak does not believe that losses for known exposures could reasonably be expected to exceed current accruals by material amounts, although costs could be material to a particular quarter or year.

## Other Commitments and Contingencies

As of June 30, 2014, the Company had outstanding letters of credit of \$120 million issued under the Asset Based Revolving Credit Agreement (the “ABL Credit Agreement”), as well as bank guarantees and letters of credit of \$7 million, surety bonds in the amount of \$22 million, and cash deposits of \$60 million, primarily to ensure the payment of possible casualty and workers’ compensation claims, legal contingencies, rental payments, foreign exchange contracts and to support various customs, tax and trade activities. The cash deposits are recorded within Restricted cash and Other long-term assets in the Consolidated Statement of Financial Position.

Kodak’s Brazilian operations are involved in governmental assessments of indirect and other taxes in various stages of litigation, primarily related to federal and state value-added taxes. Kodak is disputing these matters and intends to vigorously defend its position. Kodak routinely assesses all these matters as to the probability of ultimately incurring a liability in its Brazilian operations and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable. As of June 30, 2014, the unreserved portion of these contingencies, inclusive of any related interest and penalties, for which there was at least a reasonable possibility that a loss may be incurred, amounted to approximately \$51 million.

In connection with assessments in Brazil, local regulations may require Kodak to post security for a portion of the amounts in dispute. As of June 30, 2014, Kodak has posted security composed of \$10 million of pledged cash reported within long-term Restricted cash in the Consolidated Statement of Financial Position and liens on certain Brazilian assets with a net book value of approximately \$111 million. Generally, any encumbrances on the Brazilian assets would be removed to the extent the matter is resolved in Kodak’s favor.

Kodak is involved in various lawsuits, claims, investigations and proceedings, including commercial, customs, employment, environmental, and health and safety matters, which are being handled and defended in the ordinary course of business. Kodak is also subject to various assertions, claims, proceedings and requests for indemnification concerning intellectual property, including patent infringement suits involving technologies that are incorporated in a broad spectrum of Kodak’s products. These matters are in various stages of investigation and litigation, and are being vigorously defended. Kodak is in the process of resolving any remaining litigation that was stayed as a result of the chapter 11 filing, in accordance with the Bankruptcy Code and the orders of the Bankruptcy Court. Kodak does not believe that it is probable that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial condition or results of operations, although litigation is inherently unpredictable. Therefore, judgments could be rendered or settlements entered that could adversely affect Kodak’s operating results or cash flows in a particular period. Kodak routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable.

### NOTE 6: GUARANTEES

Kodak guarantees debt and other obligations of certain customers. The debt and other obligations are primarily due to banks and leasing companies in connection with financing of customers’ purchases of equipment and product from Kodak. At June 30, 2014, the maximum potential amount of future payments (undiscounted) that Kodak could be required to make under these customer-related guarantees was \$6 million. At June 30, 2014, the carrying amount of any liability related to these customer guarantees was not material.

The customer financing agreements and related guarantees, which mature between 2014 and 2017, typically have a term of 90 days for product and short-term equipment financing arrangements, and up to five years for long-term equipment financing arrangements. These guarantees would require payment from Kodak only in the event of default on payment by the respective customer. In some cases, particularly for guarantees related to equipment financing, Kodak has collateral or recourse provisions to recover and sell the equipment to reduce any losses that might be incurred in connection with the guarantees. However, any proceeds received from the liquidation of these assets may not cover the maximum potential loss under these guarantees.

EKC also guarantees obligations to third parties for some of its consolidated subsidiaries. The maximum amount guaranteed, and the outstanding amount for those guarantees, is \$68 million.

In connection with the settlement of certain of the Company’s historical environmental liabilities at EBP and in accordance with the terms of the Amended EBP Settlement Agreement, in the event the historical liabilities exceed \$99 million, the Company will become liable for 50% of the portion above \$99 million with no limitation to the maximum potential future payments. There is no liability recorded for this guarantee.

## Warranty Costs

Kodak has warranty obligations in connection with the sale of its products and equipment. The original warranty period is generally one year or less. The costs incurred to provide for these warranty obligations are estimated and recorded as an accrued liability at the time of sale. Kodak estimates its warranty cost at the point of sale for a given product based on historical failure rates and related costs to repair.

The change in Kodak's accrued warranty obligations balance, which is reflected in Other current liabilities in the accompanying Consolidated Statement of Financial Position, was as follows:

(in millions)

|  |    |          |
|--|----|----------|
| Accrued warranty obligations as of December 31, 2013 | \$ | 13       |
| Actual warranty experience during 2014               |    | (10)     |
| 2014 warranty provisions                             |    | 4        |
| Accrued warranty obligations as of June 30, 2014     | \$ | <u>7</u> |

Kodak also offers its customers extended warranty arrangements that are generally one year, but may range from three months to three years after the original warranty period. Kodak provides repair services and routine maintenance under these arrangements. Kodak has not separated the extended warranty revenues and costs from the routine maintenance service revenues and costs, as it is not practicable to do so. Therefore, these revenues and costs have been aggregated in the discussion that follows. The change in Kodak's deferred revenue balance in relation to these extended warranty and maintenance arrangements from December 31, 2013 to June 30, 2014, which is reflected in Other current liabilities in the accompanying Consolidated Statement of Financial Position, was as follows:

(in millions)

|  |    |           |
|--|----|-----------|
| Deferred revenue on extended warranties as of December 31, 2013              | \$ | 30        |
| New extended warranty and maintenance arrangements in 2014                   |    | 99        |
| Recognition of extended warranty and maintenance arrangement revenue in 2014 |    | (100)     |
| Deferred revenue on extended warranties as of June 30, 2014                  | \$ | <u>29</u> |

**NOTE 7: OTHER OPERATING INCOME, NET**

| (in millions)                                     | Three Months Ended |               | Six Months Ended |                 |
|---|--------------------|---------------|------------------|-----------------|
|   | June 30,           |               | June 30,         |                 |
|   | Successor          | Predecessor   | Successor        | Predecessor     |
|   | 2014               | 2013          | 2014             | 2013            |
| (Income) expenses:                                |                    |               |                  |                 |
| Gain on sale of digital imaging patent portfolio  | \$ -               | \$ -          | \$ -             | \$ (535)        |
| Goodwill impairment <sup>(1)</sup>                | -                  | -             | -                | 77              |
| Gain on sale of property in Mexico <sup>(2)</sup> | -                  | -             | -                | (34)            |
| Other   | -                  | (1)           | -                | (3)             |
| <b>Total</b>                                      | <b>\$ -</b>        | <b>\$ (1)</b> | <b>\$ -</b>      | <b>\$ (495)</b> |

<sup>(1)</sup> Kodak recorded an impairment charge of \$77 million related to the Intellectual Property and Brand Licensing reporting unit related to the sale of its digital imaging patents during the first quarter of 2013.

<sup>(2)</sup> In March 2012, Kodak sold a property in Mexico for approximately \$41 million and leased back the property for a one-year term. The pre-tax gain on the property sale of approximately \$34 million was deferred due to Kodak's continuing involvement in the property for the remainder of the lease term. In March 2013, the deferred gain was recognized as the lease term expired.

**NOTE 8: INCOME TAXES**

Kodak's income tax provision (benefit) and effective tax rate were as follows:

| (in millions)  | Three Months Ended<br>June 30, |             | Six Months Ended<br>June 30, |             |
|--|--------------------------------|-------------|------------------------------|-------------|
|  | Successor                      | Predecessor | Successor                    | Predecessor |
|  | 2014                           | 2013        | 2014                         | 2013        |
| (Loss) earnings from continuing operations before income taxes | \$ (52)                        | \$ (157)    | \$ (112)                     | \$ 174      |
| Effective tax rate   | (15.7)%                        | (32.5)%     | 0.0%                         | 33.3%       |
| Provision for income taxes                                     | 8                              | 51          | -                            | 58          |
| (Benefit) provision for income taxes @ 35%                     | (18)                           | (55)        | (39)                         | 61          |
| Difference between tax at effective vs. statutory rate         | \$ 26                          | \$ 106      | \$ 39                        | \$ (3)      |

For the three months ended June 30, 2014, the difference between the Company's recorded provision and the benefit that would result from applying the U.S. statutory rate of 35.0% is primarily attributable to: (1) losses generated within the U.S. and certain jurisdictions outside the U.S. for which no benefit was recognized due to management's conclusion that it was more likely than not that the tax benefits would not be realized.

For the six months ended June 30, 2014, the difference between the Company's recorded provision and the benefit that would result from applying the U.S. statutory rate of 35.0% is primarily attributable to: (1) losses generated within the U.S. for which no benefit was recognized, offset by income in certain jurisdictions outside the U.S. for which no provision was recognized due to management's conclusion that it was more likely than not that the tax benefits would not be realized, (2) a benefit as a result of Kodak reaching a settlement with a taxing authority in a location outside the U.S. related to withholding taxes, and (3) a benefit associated with foreign withholding taxes on undistributed earnings.

For the three months ended June 30, 2013, the difference between the Company's recorded provision and the benefit that would result from applying the U.S. statutory rate of 35.0% is primarily attributable to: (1) losses generated within the U.S. and certain jurisdictions outside the U.S. for which no benefit was recognized due to management's conclusion that it was more likely than not that the tax benefits would not be realized, (2) a provision associated with withholding taxes on foreign dividends paid, (3) a benefit associated with foreign withholding taxes on undistributed earnings, and (4) a provision associated with the establishment of a deferred tax asset valuation allowance outside the U.S.

During the three months ended June 30, 2013, the Company determined that it is more likely than not that a portion of the deferred tax assets outside the U.S. would not be realized and, accordingly, recorded a tax provision of \$45 million associated with the establishment of a valuation allowance on those deferred tax assets.

For the six months ended June 30, 2013, the difference between the Company's recorded provision and the provision that would result from applying the U.S. statutory rate of 35.0% is primarily attributable to: (1) income generated within the U.S. for which no provision was recognized, offset by losses generated within certain jurisdictions outside the U.S. for which no benefit was recognized due to management's conclusion that it was more likely than not that the tax benefits would not be realized, (2) a provision associated with withholding taxes on the sale of intellectual property, (3) a benefit associated with the tax impact of the goodwill impairment recognized during the six-month period (4) a provision associated with withholding taxes on foreign dividends paid, (5) a benefit associated with foreign withholding taxes on undistributed earnings, (6) a provision associated with the establishment of a deferred tax asset valuation allowance outside the U.S., and (7) changes in audit reserves.

## NOTE 9: RESTRUCTURING LIABILITIES

Charges for restructuring activities are recorded in the period in which Kodak commits to a formalized restructuring plan, or executes the specific actions contemplated by the plan, and all criteria for liability recognition under the applicable accounting guidance have been met. Restructuring actions taken in the first half of 2014 included steps toward exiting a plate manufacturing facility in the UK. In addition, actions were initiated to reduce Kodak's cost structure as part of its commitment to drive sustainable profitability and included a workforce reduction in France, manufacturing capacity reductions in the U.S. and various targeted reductions in service, sales, research and development and other administrative functions.

### Restructuring Reserve Activity

The activity in the accrued balances and the non-cash charges and credits incurred in relation to restructuring activities for the three and six months ended June 30, 2014 were as follows:

| (in millions)                           | Severance Reserve | Exit Costs Reserve | Long-lived Asset Impairments and Inventory Write-downs | Total        |
|---|-------------------|--------------------|--|--------------|
| Balance as of December 31, 2013         | \$ 26             | \$ 8               | \$ -   | \$ 34        |
| Q1 2014 charges - continuing operations | 11                | 1                  | 1  | 13           |
| Q1 utilization/cash payments            | (11)              | (3)                | (1)  | (15)         |
| Balance as of March 31, 2014            | <u>\$ 26</u>      | <u>\$ 6</u>        | <u>\$ -</u>  | <u>\$ 32</u> |
| Q2 2014 charges - continuing operations | 19                | 1                  | -  | 20           |
| Q2 utilization/cash payments            | (9)               | (1)                | -  | (10)         |
| Balance as of June 30, 2014             | <u>\$ 36</u>      | <u>\$ 6</u>        | <u>\$ -</u>  | <u>\$ 42</u> |

For the three months ended June 30, 2014, the \$20 million of charges were reported as Restructuring costs and other in the accompanying Consolidated Statement of Operations. The severance and exit costs reserves require the outlay of cash.

The severance costs for the three months ended June 30, 2014 related to the elimination of approximately 200 positions, including approximately 100 manufacturing/service positions, 25 research and development positions and 75 administrative positions. The geographic composition of these positions includes approximately 50 in the United States and Canada and 150 throughout the rest of the world.

For the six months ended June 30, 2014, the \$33 million of charges were reported as Restructuring costs and other in the accompanying Consolidated Statement of Operations. The severance and exit costs reserves require the outlay of cash, while long-lived asset impairments and inventory write-downs represent non-cash items.

The severance costs for the six months ended June 30, 2014 related to the elimination of approximately 400 positions, including approximately 225 manufacturing/service positions, 50 research and development positions and 125 administrative positions. The geographic composition of these positions includes approximately 200 in the United States and Canada and 200 throughout the rest of the world.

As a result of these initiatives, the majority of the severance will be paid during periods through the end of 2014. However, in some instances, the employees whose positions were eliminated can elect or are required to receive their payments over an extended period of time. In addition, certain exit costs, such as long-term lease payments, will be paid over periods throughout 2014 and beyond.

**NOTE 10: RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS**

Components of the net periodic benefit cost for all major U.S. and Non-U.S. defined benefit plans are as follows:

| (in millions)                                | Three Months Ended<br>June 30, |             |              |              | Six Months Ended<br>June 30, |             |              |              |
|--|--------------------------------|-------------|--------------|--------------|------------------------------|-------------|--------------|--------------|
|  | Successor                      |             | Predecessor  |              | Successor                    |             | Predecessor  |              |
|  | 2014                           |             | 2013         |              | 2014                         |             | 2013         |              |
|  | U.S.                           | Non-U.S.    | U.S.         | Non-U.S.     | U.S.                         | Non-U.S.    | U.S.         | Non-U.S.     |
| <b>Major defined benefit plans:</b>          |                                |             |              |              |                              |             |              |              |
| Service cost                                 | \$ 5                           | \$ 1        | \$ 8         | \$ 3         | \$ 9                         | \$ 3        | \$ 16        | \$ 5         |
| Interest cost                                | 47                             | 8           | 43           | 35           | 94                           | 16          | 86           | 71           |
| Expected return on plan assets               | (77)                           | (10)        | (86)         | (40)         | (154)                        | (20)        | (173)        | (80)         |
| Amortization of:                             |                                |             |              |              |                              |             |              |              |
| Prior service cost                           | -                              | -           | -            | -            | -                            | -           | -            | 1            |
| Net actuarial loss                           | -                              | -           | 50           | 21           | -                            | -           | 99           | 42           |
| Pension (income) expense before curtailments | (25)                           | (1)         | 15           | 19           | (51)                         | (1)         | 28           | 39           |
| Curtailment loss                             | -                              | -           | 1            | 13           | -                            | -           | 1            | 13           |
| Net pension (income) expense                 | (25)                           | (1)         | 16           | 32           | (51)                         | (1)         | 29           | 52           |
| Other plans including unfunded plans         | -                              | 1           | -            | 2            | -                            | 3           | -            | 8            |
| Total net pension (income) expense           | <u>\$ (25)</u>                 | <u>\$ -</u> | <u>\$ 16</u> | <u>\$ 34</u> | <u>\$ (51)</u>               | <u>\$ 2</u> | <u>\$ 29</u> | <u>\$ 60</u> |

The pension (income) expense before curtailments reported above for the three and six months ended June 30, 2013 includes \$14 million and \$29 million respectively, of expense which was reported as Discontinued operations.

Kodak made contributions (funded plans) or paid benefits (unfunded plans) totaling approximately \$5 million relating to its major U.S. and non-U.S. defined benefit pension plans for the six months ended June 30, 2014. Kodak forecasts its contribution (funded plans) and benefit payment (unfunded plans) requirements for its major U.S. and non-U.S. defined benefit pension plans for the balance of 2014 to be approximately \$11 million.

Postretirement benefit costs for the Company's U.S., Canada and U.K. postretirement benefit plans, which represent the Company's major postretirement plans, include:

| (in millions)                                     | Three Months Ended<br>June 30, |                | Six Months Ended<br>June 30, |                |
|---|--------------------------------|----------------|------------------------------|----------------|
|   | Successor                      | Predecessor    | Successor                    | Predecessor    |
|   | 2014                           | 2013           | 2014                         | 2013           |
| Service cost                                      | \$ -                           | \$ -           | \$ -                         | \$ -           |
| Interest cost                                     | 1                              | 1              | 2                            | 2              |
| Amortization of:                                  |                                |                |                              |                |
| Prior service credit                              | -                              | (29)           | -                            | (57)           |
| Net actuarial loss                                | -                              | 2              | -                            | 3              |
| Total net postretirement benefit expense (income) | <u>\$ 1</u>                    | <u>\$ (26)</u> | <u>\$ 2</u>                  | <u>\$ (52)</u> |

Kodak paid benefits, net of participant contributions, totaling \$4 million relating to its major postretirement benefit plans for the six months ended June 30, 2014. Kodak expects to pay benefits, net of participant contributions, of approximately \$5 million for these postretirement plans for the remainder of 2014.



**NOTE 11: EARNINGS PER SHARE**

Basic earnings per share computations are based on the weighted-average number of shares of common stock outstanding during the period. Weighted-average basic and diluted shares outstanding were 41.7 million and 272.8 million for the three months ended June 30, 2014 and 2013, respectively and 41.7 million and 272.7 million for the six months ended June 30, 2014 and 2013, respectively.

As a result of the net loss from continuing operations presented for the three months and six months ended June 30, 2014, Kodak calculated diluted earnings per share using weighted-average basic shares outstanding for those periods, as utilizing diluted shares would be anti-dilutive to loss per share. If Kodak had reported earnings from continuing operations for the three months and six months ended June 30, 2014, the following potential shares of its common stock would have been dilutive in the computation of diluted earnings per share:

| (in millions of shares)            | <b>Three Months<br/>Ended<br/>June 30, 2014</b> | <b>Six Months<br/>Ended<br/>June 30, 2014</b> |
|------------------------------------|---|---|
| Unvested share-based awards        | 0.3   | 0.3   |
| Warrants to purchase common shares | 1.8   | 1.9   |
| <b>Total</b>                       | <b>2.1</b>                                      | <b>2.2</b>                                    |

As a result of the net loss from continuing operations reported by the Predecessor Company for the three months ended June 30, 2013, Kodak calculated diluted earnings per share using weighted-average basic shares outstanding for that period, as utilizing diluted shares would be anti-dilutive to loss per share.

If the Predecessor Company had reported earnings from continuing operations for the quarter ended June 30, 2013, no additional shares of common stock from unvested share-based awards and assumed conversion of (1) approximately 7.6 million outstanding employee stock options, (2) approximately 40.0 million outstanding detachable warrants to purchase common shares, and (3) approximately \$400 million of convertible senior notes due 2017 would have been included in the computation of diluted earnings per share since they were all anti-dilutive.

The Predecessor Company reported earnings from continuing operations for the six months ended June 30, 2013. However, no additional shares of common stock from unvested share-based awards and the assumed conversion of (1) approximately 7.6 million outstanding employee stock options, (2) approximately 40.0 million outstanding detachable warrants to purchase common shares, and (3) approximately \$400 million of convertible senior notes due 2017 were included in the computation of diluted earnings per share, as these securities were anti dilutive.

**NOTE 12: SHAREHOLDERS' EQUITY**

Kodak has 560 million shares of authorized stock, consisting of: (i) 500 million shares of common stock, par value \$0.01 per share and (ii) 60 million shares of preferred stock, no par value, issuable in one or more series. As of June 30, 2014 and December 31, 2013, there were 41.7 and 41.6 million shares of common stock and no shares of preferred stock issued and outstanding, respectively. Treasury stock consisted of approximately 0.2 million shares at both June 30, 2014 and December 31, 2013.

**NOTE 13: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The changes in Accumulated other comprehensive income (loss) by component, net of tax, were as follows:

(in millions)

|  | <b>Three Months Ended June 30, 2014 (Successor)</b>                                    |   |   |              |
|--|--|---|---|--------------|
|  | <b>Unrealized Gains<br/>(Losses) Related<br/>to Available-for-<br/>Sale Securities</b> | <b>Currency<br/>Translation<br/>Adjustments</b> | <b>Pension and<br/>Other<br/>Postretirement<br/>Benefit Plan<br/>Obligation<br/>Changes</b> | <b>Total</b> |
| Beginning balance  | \$ -   | \$ 2  | \$ 98   | \$ 100       |
| Other comprehensive income before reclassifications              | 1  | 6   | (15)  | (8)          |
| Amounts reclassified from accumulated other comprehensive income | -  | -   | -   | -            |
| Net current-period other comprehensive income                    | 1  | 6   | (15)  | (8)          |
| Ending balance   | <u>\$ 1</u>  | <u>\$ 8</u>                                     | <u>\$ 83</u>  | <u>\$ 92</u> |

(in millions)

|  | <b>Six Months Ended June 30, 2014 (Successor)</b>                                      |   |   |              |
|--|--|---|---|--------------|
|  | <b>Unrealized Gains<br/>(Losses) Related<br/>to Available-for-<br/>Sale Securities</b> | <b>Currency<br/>Translation<br/>Adjustments</b> | <b>Pension and<br/>Other<br/>Postretirement<br/>Benefit Plan<br/>Obligation<br/>Changes</b> | <b>Total</b> |
| Beginning balance  | \$ -   | \$ 1  | \$ 98   | \$ 99        |
| Other comprehensive income before reclassifications              | 1  | 7   | (15)  | (7)          |
| Amounts reclassified from accumulated other comprehensive income | -  | -   | -   | -            |
| Net current-period other comprehensive income                    | 1  | 7   | (15)  | (7)          |
| Ending balance   | <u>\$ 1</u>  | <u>\$ 8</u>                                     | <u>\$ 83</u>  | <u>\$ 92</u> |

(in millions)

|  | <b>Three Months Ended June 30, 2013 (Predecessor)</b>                                      |  |   |   |                   |
|--|--|--|---|---|-------------------|
|  | <b>Unrealized<br/>Gains (Losses)<br/>Related to<br/>Available-for-<br/>Sale Securities</b> | <b>Unrealized<br/>Gains (Losses)<br/>from Hedging<br/>Activity</b> | <b>Currency<br/>Translation<br/>Adjustments</b> | <b>Pension and<br/>Other<br/>Postretirement<br/>Benefit Plan<br/>Obligation<br/>Changes</b> | <b>Total</b>      |
| Beginning balance  | \$ 1   | \$ (2)   | \$ 349  | \$ (2,892)  | \$ (2,544)        |
| Other comprehensive income before reclassifications              | -  | -  | (16)  | 361   | 345               |
| Amounts reclassified from accumulated other comprehensive income | -  | -  | -   | 46  | 46                |
| Net current-period other comprehensive income                    | -  | -  | (16)  | 407   | 391               |
| Ending balance   | <u>\$ 1</u>  | <u>\$ (2)</u>  | <u>\$ 333</u>                                   | <u>\$ (2,485)</u>   | <u>\$ (2,153)</u> |

(in millions)

|  | <b>Six Months Ended June 30, 2013 (Predecessor)</b>  |  |   |   |                   |
|--|--|--|---|---|-------------------|
|  | <b>Unrealized<br/>Gains (Losses)<br/>Related to<br/>Available-for-<br/>Sale Securities</b> | <b>Unrealized<br/>Gains (Losses)<br/>from Hedging<br/>Activity</b> | <b>Currency<br/>Translation<br/>Adjustments</b> | <b>Pension and<br/>Other<br/>Postretirement<br/>Benefit Plan<br/>Obligation<br/>Changes</b> | <b>Total</b>      |
| Beginning balance  | \$ 1   | \$ (2)   | \$ 318  | \$ (2,933)  | \$ (2,616)        |
| Other comprehensive income before reclassifications              | -  | -  | 15  | 362   | 377               |
| Amounts reclassified from accumulated other comprehensive income | -  | -  | -   | 86  | 86                |
| Net current-period other comprehensive income                    | -  | -  | 15  | 448   | 463               |
| Ending balance   | <u>\$ 1</u>  | <u>\$ (2)</u>  | <u>\$ 333</u>                                   | <u>\$ (2,485)</u>   | <u>\$ (2,153)</u> |



The following amounts were reclassified out of Accumulated other comprehensive income (loss):

| (in millions)  | Three Months Ended<br>June 30,  |   | Affected Line Item in the Consolidated Statement<br>of Operations |
|--|---|---|---|
|  | Successor<br>2014   | Predecessor<br>2013   |   |
|  | Amount<br>Reclassified<br>from<br>Accumulated<br>Other<br>Comprehensive<br>Income | Amount<br>Reclassified<br>from<br>Accumulated<br>Other<br>Comprehensive<br>Income |   |
| Pension and other postretirement benefit obligation changes: |   |   |   |
| Amortization of prior-service credit                         | \$ -  | \$ (29) <sup>(a)</sup>  |   |
| Amortization of actuarial losses                             | -   | 73 <sup>(a)</sup>   |   |
| Recognition of losses due to settlements                     | -   | 14 <sup>(a)</sup>   |   |
|  | -   | 58  | Total before tax  |
|  | -   | 12  | Tax provision   |
| Reclassifications for the period                             | \$ -  | \$ 46   | Net of tax  |

| (in millions)  | Six Months Ended<br>June 30,  |   | Affected Line Item in the Consolidated Statement<br>of Operations |
|--|---|---|---|
|  | Successor<br>2014   | Predecessor<br>2013   |   |
|  | Amount<br>Reclassified<br>from<br>Accumulated<br>Other<br>Comprehensive<br>Income | Amount<br>Reclassified<br>from<br>Accumulated<br>Other<br>Comprehensive<br>Income |   |
| Pension and other postretirement benefit obligation changes: |   |   |   |
| Amortization of prior-service credit                         | \$ -  | \$ (56) <sup>(a)</sup>  |   |
| Amortization of actuarial losses                             | -   | 144 <sup>(a)</sup>  |   |
| Recognition of losses due to settlements                     | -   | 17 <sup>(a)</sup>   |   |
|  | -   | 105   | Total before tax  |
|  | -   | 19  | Tax provision   |
| Reclassifications for the period                             | \$ -  | \$ 86   | Net of tax  |

<sup>(a)</sup> See Note 10, "Retirement Plans and Other Postretirement Benefits," regarding the pensions and other postretirement plan obligation changes.

## NOTE 14: DISCONTINUED OPERATIONS

On April 26, 2013, Eastman Kodak Company, the KPP Trustees Limited (“KPP” or the “Trustee”), as trustee for the U.K. Pension Plan, and certain other Kodak entities entered into a global settlement agreement (the “Global Settlement”) that resolved all liabilities of Kodak with respect to the U.K. Pension Plan. The Global Settlement also provided for the acquisition by KPP and/or its subsidiaries of certain assets, and the assumption by KPP and/or its subsidiaries of certain liabilities of Kodak’s Personalized Imaging and Document Imaging businesses (together the “Business”) under a Stock and Asset Purchase Agreement dated April 26, 2013 (the “SAPA”). On August 30, 2013, the Company entered into an agreement (the “Amended SAPA”) amending and restating the SAPA.

Upon emergence from bankruptcy, as a part of the Global Settlement and pursuant to the Amended SAPA, Kodak consummated the sale of certain assets of the Business to KPP Holdco Limited (“KPP Holdco”), a wholly owned subsidiary of KPP, and certain direct and indirect subsidiaries of KPP Holdco (together with KPP Holdco, the “KPP Purchasing Parties”), for net cash consideration, in addition to the assumption by the KPP Purchasing Parties of certain liabilities of the Business, of \$325 million. Up to \$35 million in aggregate of the purchase price is subject to repayment to KPP if the Business does not achieve certain annual adjusted EBITDA targets over the four-year period ending December 31, 2018. Certain assets and liabilities of the Business in certain jurisdictions were not transferred at the initial closing, which took place upon emergence, but are being transferred in a series of deferred closings in accordance with the Amended SAPA. Kodak is operating the Business relating to the deferred closing jurisdictions, subject to certain covenants, until the applicable deferred closing occurs, and delivers to (or receives from) a KPP subsidiary at each deferred closing a true-up payment reflecting the actual economic benefit (or detriment) to the Business in the applicable deferred closing jurisdiction(s) from the time of the initial closing through the time of the applicable deferred closing. Up to the time of the deferred closing, the results of the operations of the Business are reported as (Loss) earnings from discontinued operations, net of income taxes in the Consolidated Statement of Operations and the assets and liabilities of the Business are categorized as Assets held for sale or Liabilities held for sale in the Consolidated Statement of Financial Position, as appropriate.

On March 17, 2014, the KPP Purchasing Parties agreed to pay Kodak \$20 million of incremental consideration (\$13 million was paid in March of 2014 and the remainder is owed within one year of March 2014) in lieu of working capital adjustments contemplated by the Amended SAPA.

The following table summarizes the major classes of assets and liabilities related to the disposition of the Business which have been segregated and included in Assets held for sale and Liabilities held for sale in the Consolidated Statement of Financial Position:

| (in millions)                       | As of            |                      |
|-------------------------------------|------------------|----------------------|
|                                     | June 30,<br>2014 | December 31,<br>2013 |
| Receivables, net                    | \$ 10            | \$ 16                |
| Inventories, net                    | 9                | 62                   |
| Property, plant and equipment, net  | 7                | 10                   |
| Other assets                        | 7                | 7                    |
| Assets held for sale                | <u>\$ 33</u>     | <u>\$ 95</u>         |
| Trade payables                      | \$ 10            | \$ 24                |
| Miscellaneous payables and accruals | 11               | 14                   |
| Liabilities held for sale           | <u>\$ 21</u>     | <u>\$ 38</u>         |

Discontinued operations of Kodak include the Business (excluding the consumer film business, for which Kodak has entered into an ongoing supply arrangement with Kodak Alaris, the new entity formed by the KPP Purchasing Parties) and other miscellaneous businesses.

The significant components of revenues and (loss) earnings from discontinued operations, net of income taxes, are as follows:

| (in millions)   | Three Months Ended<br>June 30, |             | Six Months Ended<br>June 30, |             |
|---|--------------------------------|-------------|------------------------------|-------------|
|   | Successor                      | Predecessor | Successor                    | Predecessor |
|   | 2014                           | 2013        | 2014                         | 2013        |
| Revenues from Personalized and Document Imaging                         | \$ 29                          | \$ 289      | \$ 59                        | \$ 537      |
| Revenues from other discontinued operations                             | -                              | 10          | 1                            | 20          |
| Total revenues from discontinued operations                             | \$ 29                          | \$ 299      | \$ 60                        | \$ 557      |
| Pre-tax (loss) earnings from Personalized and Document Imaging          | \$ (1)                         | \$ (19)     | \$ 18                        | \$ (48)     |
| Pre-tax (loss) earnings from other discontinued operations              | -                              | 1           | 1                            | (15)        |
| (Provision) benefit for income taxes related to discontinued operations | (1)                            | 2           | (2)                          | 6           |
| (Loss) earnings from discontinued operations, net of income taxes       | \$ (2)                         | \$ (16)     | \$ 17                        | \$ (57)     |

Kodak was required to use a portion of the proceeds from the divestiture of the Business to repay \$200 million of the Junior Debtor-In-Possession Credit Agreement. Interest expense on the debt that was required to be repaid as a result of the sale of the Personalized Imaging and Document Imaging businesses has therefore been allocated to discontinued operations (\$0 million and \$5 million for the three months ended June 30, 2014 and 2013, respectively and \$0 million and \$10 million for the six months ended June 30, 2014 and 2013, respectively).

Depreciation and amortization of long-lived assets of the Personalized Imaging and Document Imaging businesses included in discontinued operations ceased as of July 1, 2013.

Direct operating expenses of the discontinued operations are included in the results of discontinued operations. Indirect expenses that were historically allocated to the discontinued operations have been included in the results of continuing operations. Prior period results have been reclassified to conform to the current period presentation.

**NOTE 15: SEGMENT INFORMATION**

**Current Segment Reporting Structure**

Kodak has two reportable segments: the Graphics, Entertainment and Commercial Films Segment and the Digital Printing and Enterprise Segment. The balance of Kodak's continuing operations, which do not meet the criteria of a reportable segment, are reported in All Other. A description of the segments follows.

**Graphics, Entertainment and Commercial Films:** The Graphics, Entertainment and Commercial Films Segment encompasses Graphics, Entertainment Imaging & Commercial Films, and Kodak's intellectual property and brand licensing activities. Product and service offerings include: digital plates, computer to plate output devices, digital controllers, unified workflow solutions, and entertainment imaging and commercial films.

**Digital Printing and Enterprise:** The Digital Printing and Enterprise Segment encompasses Digital Printing, Packaging and Functional Printing, Enterprise Services & Solutions, and Consumer Inkjet Systems.

**All Other:** All Other is composed of Kodak's consumer film business in countries where that business has not yet transferred ownership to the KPP Purchasing Parties, and a utilities variable interest entity. Effective August 31, 2013, the Company sold certain utilities and related facilities and entered into utilities supply and servicing arrangements with RED, a variable interest entity.

Segment financial information is shown below:

| (in millions)                               | Three Months Ended<br>June 30, |               | Six Months Ended<br>June 30, |                 |
|---|--------------------------------|---------------|------------------------------|-----------------|
|   | Successor                      | Predecessor   | Successor                    | Predecessor     |
|   | 2014                           | 2013          | 2014                         | 2013            |
| <b>Revenues from continuing operations:</b> |                                |               |                              |                 |
| Graphics, Entertainment & Commercial Films  | \$ 357                         | \$ 371        | \$ 675                       | \$ 757          |
| Digital Printing and Enterprise             | 168                            | 198           | 334                          | 395             |
| All Other                                   | -                              | 14            | -                            | 25              |
| Consolidated total                          | <u>\$ 525</u>                  | <u>\$ 583</u> | <u>\$ 1,009</u>              | <u>\$ 1,177</u> |

| (in millions)  | Three Months Ended<br>June 30, |                 | Six Months Ended<br>June 30, |               |
|--|--------------------------------|-----------------|------------------------------|---------------|
|  | Successor                      | Predecessor     | Successor                    | Predecessor   |
|  | 2014                           | 2013            | 2014                         | 2013          |
| <b>Segment (loss) earnings and Consolidated (loss) earnings from continuing operations before income taxes</b> |                                |                 |                              |               |
| Graphics, Entertainment and Commercial Films   | \$ (8)                         | \$ (6)          | \$ (35)                      | \$ 10         |
| Digital Printing and Enterprise  | (27)                           | (11)            | (52)                         | (29)          |
| Total of reportable segments   | (35)                           | (17)            | (87)                         | (19)          |
| All Other  | (4)                            | -               | (7)                          | (2)           |
| Restructuring costs and other  | (20)                           | (33)            | (33)                         | (46)          |
| Corporate components of pension and OPEB income <sup>(1)</sup>   | 30                             | 14              | 60                           | 26            |
| Other operating income, net  | -                              | 1               | -                            | 495           |
| Loss on early extinguishment of debt, net  | -                              | -               | -                            | 6             |
| Interest expense   | 16                             | 47              | 32                           | 72            |
| Other charges, net   | (2)                            | (3)             | (3)                          | (10)          |
| Reorganization items, net  | 5                              | 72              | 10                           | 192           |
| Consolidated (loss) earnings from continuing operations before income taxes                                    | <u>\$ (52)</u>                 | <u>\$ (157)</u> | <u>\$ (112)</u>              | <u>\$ 174</u> |

<sup>(1)</sup> Composed of interest cost, expected return on plan assets, amortization of actuarial gains and losses, amortization of prior service credits related to the U.S. Postretirement Benefit Plan and special termination benefits, curtailments and settlement components of pension and other postretirement benefit expenses, except for settlements in connection with the chapter 11 bankruptcy proceedings that are recorded in Reorganization items, net and curtailments and settlements included in (Loss) earnings from discontinued operations, net of income taxes in the Consolidated Statement of Operations.

**NOTE 16: FINANCIAL INSTRUMENTS**

The following tables present the carrying amounts, estimated fair values, and location in the Consolidated Statement of Financial Position for Kodak's financial instruments:

(in millions)

|                                       |                  | Value Of Items Recorded At Fair Value<br>As of June 30, 2014 |         |         |         |
|---------------------------------------|------------------|--|---------|---------|---------|
|                                       |                  | Total  | Level 1 | Level 2 | Level 3 |
| <b>ASSETS</b>                         |                  |  |         |         |         |
| <b>Derivatives</b>                    |                  |  |         |         |         |
| Short-term foreign exchange contracts | Receivables, net | \$ 1   | \$ -    | \$ 1    | \$ -    |

|                                       |                           |   |   |   |   |
|---------------------------------------|---------------------------|---|---|---|---|
| <b>LIABILITIES</b>                    |                           |   |   |   |   |
| <b>Derivatives</b>                    |                           |   |   |   |   |
| Short-term foreign exchange contracts | Other current liabilities | 1 | - | 1 | - |

(in millions)

|                    |  | Value Of Items Not Recorded At Fair Value<br>As of June 30, 2014 |         |         |         |      |
|--------------------|--|--|---------|---------|---------|------|
|                    |  | Total  | Level 1 | Level 2 | Level 3 |      |
| <b>LIABILITIES</b> |  |  |         |         |         |      |
| <b>Debt</b>        |  |  |         |         |         |      |
| Short-term debt    | Current portion of long-term debt      | Carrying value   | \$ 4    | \$ -    | \$ 4    | \$ - |
|                    |  | Fair value   | 4       | -       | 4       | -    |
| Long-term debt     | Long-term debt, net of current portion | Carrying value   | 673     | -       | 673     | -    |
|                    |  | Fair value   | 703     | -       | 703     | -    |

(in millions)

|                                       |                           | Value Of Items Recorded At Fair Value<br>As of December 31, 2013 |         |         |         |
|---------------------------------------|---------------------------|--|---------|---------|---------|
|                                       |                           | Total  | Level 1 | Level 2 | Level 3 |
| <b>ASSETS</b>                         |                           |  |         |         |         |
| <b>Derivatives</b>                    |                           |  |         |         |         |
| Short-term foreign exchange contracts | Receivables, net          | \$ 1   | \$ -    | \$ 1    | \$ -    |
| <b>LIABILITIES</b>                    |                           |  |         |         |         |
| <b>Derivatives</b>                    |                           |  |         |         |         |
| Short-term foreign exchange contracts | Other current liabilities | 3  | -       | 3       | -       |

(in millions)

|                    |  | Value Of Items Not Recorded At Fair Value<br>As of December 31, 2013 |         |         |         |      |
|--------------------|--|--|---------|---------|---------|------|
|                    |  | Total  | Level 1 | Level 2 | Level 3 |      |
| <b>LIABILITIES</b> |  |  |         |         |         |      |
| <b>Debt</b>        |  |  |         |         |         |      |
| Short-term debt    | Current portion of long-term debt      | Carrying value   | \$ 4    | \$ -    | \$ 4    | \$ - |
|                    |  | Fair value   | 4       | -       | 4       | -    |
| Long-term debt     | Long-term debt, net of current portion | Carrying value   | 674     | -       | 674     | -    |
|                    |  | Fair value   | 687     | -       | 687     | -    |

Kodak does not utilize financial instruments for trading or other speculative purposes.



### **Fair Value**

Fair values of Kodak's forward contracts are determined using observable inputs (Level 2 fair value measurements), and are based on the present value of expected future cash flows (an income approach valuation technique) considering the risks involved and using discount rates appropriate for the duration of the contracts. Transfers between levels of the fair value hierarchy are recognized based on the actual date of the event or change in circumstances that caused the transfer. There were no transfers between levels of the fair value hierarchy during the three months or six months ended June 30, 2014.

Fair values of long-term borrowings are determined by reference to quoted market prices, if available, or by pricing models based on the value of related cash flows discounted at current market interest rates. The carrying values of cash and cash equivalents and trade receivables (which are not shown in the table above) approximate their fair values.

### **Foreign Exchange**

Foreign exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved are included in Other charges, net in the accompanying Consolidated Statement of Operations. The net effects of foreign currency transactions, including changes in the fair value of foreign exchange contracts, are shown below:

| (in millions) | <b>Three Months Ended</b> |                    | <b>Six Months Ended</b> |                    |
|---------------|---------------------------|--------------------|-------------------------|--------------------|
|               | <b>June 30,</b>           |                    | <b>June 30,</b>         |                    |
|               | <b>Successor</b>          | <b>Predecessor</b> | <b>Successor</b>        | <b>Predecessor</b> |
|               | <b>2014</b>               | <b>2013</b>        | <b>2014</b>             | <b>2013</b>        |
| Net loss      | \$ (1)                    | \$ (1)             | \$ (3)                  | \$ (3)             |

### **Derivative Financial Instruments**

Kodak, as a result of its global operating and financing activities, is exposed to changes in foreign currency exchange rates, commodity prices, and interest rates, which may adversely affect its results of operations and financial position. Kodak manages such exposures, in part, with derivative financial instruments.

Foreign currency forward contracts are used to mitigate currency risk related to foreign currency denominated assets and liabilities. Kodak's exposure to changes in interest rates results from its investing and borrowing activities used to meet its liquidity needs.

Kodak's financial instrument counterparties are high-quality investment or commercial banks with significant experience with such instruments. Kodak manages exposure to counterparty credit risk by requiring specific minimum credit standards and diversification of counterparties. Kodak has procedures to monitor the credit exposure amounts. The maximum credit exposure at June 30, 2014 was not significant to Kodak.

In the event of a default under the Company's Senior Secured First Lien Term Credit Agreement, Senior Secured Second Lien Term Credit Agreement, the ABL Credit Agreement, or a default under any derivative contract or similar obligation of Kodak, subject to certain minimum thresholds, the derivative counterparties would have the right, although not the obligation, to require immediate settlement of some or all open derivative contracts at their then-current fair value, but with liability positions netted against asset positions with the same counterparty. At June 30, 2014, Kodak had open derivative contracts in liability positions with a total fair value of \$1 million.

Kodak had no derivatives designated as hedging instruments for the three and six months ended June 30, 2014 and 2013. The location and amounts of pre-tax gains and losses related to derivatives not designated as hedging instruments reported in the Consolidated Statement of Operations are shown in the following table:

**Derivatives Not Designated as Hedging Instruments, Foreign Exchange Contracts**

(in millions)

| Location of Gain or (Loss) Recognized in Income on Derivative | Gain (Loss) Recognized in Income on Derivative |             |
|---|--|-------------|
|   | Three Months Ended                             |             |
|   | June 30,                                       |             |
|   | Successor                                      | Predecessor |
|   | 2014   | 2013        |
| Other charges, net  | \$ 4   | \$ (1)      |

| Location of Gain or (Loss) Recognized in Income on Derivative | Gain (Loss) Recognized in Income on Derivative |             |
|---|--|-------------|
|   | Six Months Ended                               |             |
|   | June 30,                                       |             |
|   | Successor                                      | Predecessor |
|   | 2014   | 2013        |
| Other charges, net  | \$ 8   | \$ (3)      |

**Foreign Currency Forward Contracts**

Kodak's foreign currency forward contracts used to mitigate currency risk related to existing foreign currency denominated assets and liabilities are not designated as hedges, and are marked to market through net (loss) earnings at the same time that the exposed assets and liabilities are re-measured through net (loss) earnings (both in Other charges, net) in the Consolidated Statement of Operations). The notional amount of such contracts open at June 30, 2014 was approximately \$415 million. The majority of the contracts of this type held by Kodak as of June 30, 2014 were denominated in euros.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### OVERVIEW

Kodak is a technology company that provides commercial imaging products and services built on a foundation of materials science, digital imaging science, and deposition processes. Kodak’s portfolio of products and services is designed to meet needs of customers in different sectors and cycles of the commercial imaging and printing markets, including prepress and digital printing, and functional and packaging printing. Kodak also offers brand licensing and intellectual property opportunities, and products and services in entertainment imaging (motion pictures) and other commercial films, and it maintains a presence in the sales of ink for its existing installed consumer inkjet printer base.

Revenue declined \$58 million (10%) compared to the prior year quarter and \$168 million (14%) compared to the first half of last year. The year over year revenue declines were primarily due to Entertainment Imaging and Commercial Films, as a result of lower demand due to acceleration of digital substitution, and Consumer Inkjet Systems, as the size of the installed base of Kodak consumer inkjet printers continues to decline. Revenue for these businesses is expected to continue to become a smaller percentage of overall revenue, as Kodak invests in the growth of its strategic businesses.

Kodak continues to focus on managing its cost structure. Among other compensation and benefit plan changes, Kodak recently announced plans to amend its U.S. defined benefit pension plan, effective January 1, 2015, that are expected to reduce that pension plan’s projected benefit obligation by approximately \$55 million.

### CURRENT KODAK OPERATING MODEL AND REPORTING STRUCTURE

Kodak has two reportable segments: the Graphics, Entertainment and Commercial Films Segment and the Digital Printing and Enterprise Segment. The balance of Kodak’s continuing operations, which do not meet the criteria of a reportable segment, are reported in All Other and are composed of Kodak’s consumer film business in countries where that business has not yet transferred ownership to the KPP Purchasing Parties, and a utilities variable interest entity. Effective August 31, 2013, the Company sold certain utilities and related facilities and entered into utilities supply and servicing arrangements with RED Rochester LLC, a variable interest entity.

Within each of Kodak’s reportable segments are various product groupings, or Strategic Product Groups (“SPGs”). Throughout the remainder of this document, references to the segments’ SPGs are indicated in italics.

#### Graphics, Entertainment and Commercial Films (“GECF”) Segment

The GECF segment is comprised of three SPGs: *Graphics*, *Entertainment Imaging and Commercial Films*, and *Intellectual Property and Brand Licensing*. The GECF segment provides digital and traditional product and service offerings to a variety of commercial industries, including commercial print, direct mail, book publishing, newspapers and magazines, packaging, motion picture entertainment, printed electronics, and the aerial and industrial film markets.

**Graphics:** Kodak’s *Graphics* portfolio, covering the pre-press segment of the digital offset printing market, includes digital front-end controllers (“DFEs”), Production Software, Computer-to-Plate Equipment and Digital Plates.

- Kodak’s DFEs (KODAK CREO Servers) drive personalized content to digital presses while controlling color and print consistency.
- Production workflow software manages the digital and conventional print content from file creation to output. Kodak’s production workflow software includes KODAK PRINERGY Workflow Software, KODAK PREPS Imposition Software, KODAK COLORFLOW Software and the KODAK INSITE Software family of products, managing content and color, reducing manual errors and managing the collaborative creative process.
- Computer to plate (“CTP”) thermal output devices transfer the desired image for offset printing onto an aluminum plate, and provide a consistent and high quality image carrier for various offset press applications and market segments. Kodak’s CTP products include the KODAK MAGNUS Platesetter and TRENDSETTER Platesetter with SQUAREspot Imaging Technology, which provides high resolution, consistency and stability in thermal imaging, as well as the ACHIEVE Platesetter with TH5 imaging technology that provides a highly efficient and cost effective imaging solution for entry level customer needs.
- Kodak’s digital plate offerings include traditional digital plates and KODAK SONORA Process Free Plates. KODAK SONORA Process Free Plates deliver cost savings and efficiency and promote sustainability practices and credentials because they do not require processing chemistry, processing equipment, or chemical disposal.

Kodak also provides service and support related to these products to maintain ideal functionality and uptime for continual use.

Graphics products and services are sold globally through a variety of direct and indirect channels. Kodak is managing and building its *Graphics* business by investing in process-free technology; driving a total, optimized prepress solution; delivering the next-generation print software portfolio; expanding in emerging markets; and, driving manufacturing operational excellence, profitability and sustainable business practices. Kodak faces competition from other companies that offer commercial offset and digital printing equipment, production software, consumables and service. Competitiveness is generally focused on a broad range of technology that provides customers a higher quality, more efficient and cost effective prepress solution at an effective price.

**Entertainment Imaging & Commercial Films:** Kodak's *Entertainment Imaging & Commercial Film* group encompasses its motion picture film business, providing motion imaging products (camera negative, intermediate, print and archival film), services and technology for the professional motion picture and exhibition industries. Motion picture products are sold directly to studios, laboratories and independent filmmakers. The group also offers aerial and industrial films, including KODAK Printed Circuit Board film. Kodak expects continuing revenue declines in these products as customers continue to migrate to digital products. This group also includes Kodak's component businesses consisting of: Polyester Film; Specialty Chemicals, Inks & Dispersions, and Solvent Recovery.

**Intellectual Property and Brand Licensing:** *Intellectual Property and Brand Licensing* includes licensing activities related to intellectual property and certain branded licensed products.

### **Digital Printing and Enterprise ("DP&E") Segment**

The DP&E segment is comprised of four SPGs: *Digital Printing, Packaging and Functional Printing, Enterprise Services & Solutions and Consumer Inkjet Systems*. DP&E serves a variety of customers in the creative, in-plant, data center, consumer printing, commercial printing, packaging, newspaper and digital service bureau market segments with a range of software, media and hardware products that provide customers with a variety of solutions. DP&E products and services are sold through direct and indirect channels.

**Digital Printing:** *Digital Printing* includes both the Inkjet Printing Solutions and Electrophotographic Printing Solutions equipment and related consumables and service.

The Inkjet Printing Solutions product offering includes the KODAK PROSPER Press and PROSPER Hybrid Components, featuring ultrafast inkjet droplet generation. PROSPER Hybrid Components are also integrated into original equipment manufacturer partner portfolios, where the partner combines PROSPER Writing Systems with its press systems that transport webs of paper through the press. Equipment sales result in ongoing annuities that yield ink and service revenues. The level of annuity revenue depends on the application for which the equipment is used, which drives the total number of pages printed and ink usage. The PROSPER Press features Stream inkjet technology, which delivers a continuous flow of ink that enables constant and consistent operation, with uniform ink droplet size and accurate placement, even at very high print speeds. Applications include publishing, commercial print, direct mail, and packaging. The business also includes a large customer base of KODAK VERSAMARK Products.

Electrophotographic Printing Solutions encompasses the NEXPRESS Press Platform and the DIGIMASTER Production Platform. The NEXPRESS Press Platform offers high-quality, differentiated printing of short-run, personalized print applications such as direct mail, books, marketing collateral and photo products. The DIGIMASTER Production Platform uses monochrome electrophotographic printing technology to create high-quality printing of statements, short run books, corporate documentation, manuals and direct mail.

**Packaging and Functional Printing:** *Packaging and Functional Printing* includes packaging printing equipment and related consumables and services, as well as printed functional materials and components.

The Packaging business includes Kodak's FLEXCEL NX and FLEXCEL Direct Platform that offer digitization into the flexographic print market. The FLEXCEL NX System uses Kodak's proprietary SQUAREspot laser imaging technology to produce high resolution imaging and environmentally friendly solutions. The FLEXCEL Direct Platform delivers process-less high productivity and environmentally friendly solutions. These print production capabilities leverage a portfolio of offset, flexographic, and digital products and services, which help enable customers to preserve brand equity, enhance shelf appeal, and drive efficiency from design to a final solution.

Kodak's Functional Printing business focuses on two separate solutions that provide touch panel sensor films to the touch module industry. These solutions consist of a silver halide-based solution and an additive printing solution. Both solutions are in the commercialization phase.

**Enterprise Services & Solutions:** *Enterprise Services & Solutions* assists with the challenges and opportunities created by the worldwide digital transformation. Kodak brings together its technological strengths to meet the needs of its customers in the areas of print and managed media services, brand protection solutions and services, and document management services.

The group serves customers in enterprises including government, pharmaceuticals and healthcare, consumer and luxury good products, retail, and financial services. With respect to its print and managed media services, Kodak provides consulting services and assists customers by developing solutions for their printing requirements using Kodak technologies. Kodak's brand protection solutions are addressed at the mitigation of counterfeiting and diversion activities. Through its document management services, Kodak provides expertise to customers in order to capture, archive, retrieve and deliver documents to improve information management.

**Consumer Inkjet Systems:** Consumer Inkjet Systems includes the sale of ink to its existing installed base of consumer inkjet printers.

**Revenues from Continuing Operations by Reportable Segment**

| (in millions)  | Three Months Ended June 30, |                     |             |                             | Six Months Ended June 30, |                     |             |                             |
|--|-----------------------------|---------------------|-------------|-----------------------------|---------------------------|---------------------|-------------|-----------------------------|
|  | Successor<br>2014           | Predecessor<br>2013 | %<br>Change | Foreign<br>Currency Impact* | Successor<br>2014         | Predecessor<br>2013 | %<br>Change | Foreign<br>Currency Impact* |
| Graphics, Entertainment<br>and Commercial Films          |                             |                     |             |                             |                           |                     |             |                             |
| Inside the U.S.  | \$ 94                       | \$ 90               | +4%         | 0%                          | \$ 179                    | \$ 213              | -16%        | 0%                          |
| Outside the U.S.   | 263                         | 281                 | -6%         | 1%                          | 496                       | 544                 | -9%         | 0%                          |
| Total Graphics,<br>Entertainment and<br>Commercial Films | 357                         | 371                 | -4%         | 1%                          | 675                       | 757                 | -11%        | 0%                          |
| Digital Printing and<br>Enterprise                       |                             |                     |             |                             |                           |                     |             |                             |
| Inside the U.S.  | 68                          | 92                  | -26%        | 0%                          | 148                       | 185                 | -20%        | 0%                          |
| Outside the U.S.   | 100                         | 106                 | -6%         | 0%                          | 186                       | 210                 | -11%        | 0%                          |
| Total Digital Printing and<br>Enterprise                 | 168                         | 198                 | -15%        | 0%                          | 334                       | 395                 | -15%        | 0%                          |
| All Other  |                             |                     |             |                             |                           |                     |             |                             |
| Inside the U.S.  | -                           | 5                   |             | 0%                          | -                         | 8                   |             | 0%                          |
| Outside the U.S.   | -                           | 9                   |             | 0%                          | -                         | 17                  |             | 0%                          |
| Total All Other  | -                           | 14                  | -100%       | 0%                          | -                         | 25                  | -100%       | 0%                          |
| Consolidated   |                             |                     |             |                             |                           |                     |             |                             |
| Inside the U.S.  | 162                         | 187                 | -13%        | 0%                          | 327                       | 406                 | -19%        | 0%                          |
| Outside the U.S.   | 363                         | 396                 | -8%         | 1%                          | 682                       | 771                 | -12%        | 0%                          |
| Consolidated Total                                       | \$ 525                      | \$ 583              | -10%        | 0%                          | \$ 1,009                  | \$ 1,177            | -14%        | 0%                          |

\* Represents the percentage change in segment net sales for the period that is attributable to foreign currency fluctuations.

**Segment (Loss) Earnings and Consolidated (Loss) Earnings from Continuing Operations Before Income Taxes**

|  | Three Months Ended |                 | Six Months Ended |               |
|--|--------------------|-----------------|------------------|---------------|
|  | June 30,           |                 | June 30,         |               |
|  | Successor          | Predecessor     | Successor        | Predecessor   |
|  | 2014               | 2013            | 2014             | 2013          |
| (in millions)  |                    |                 |                  |               |
| <b>Segment (loss) earnings and Consolidated (loss) earnings from continuing operations before income taxes</b> |                    |                 |                  |               |
| Graphics, Entertainment and Commercial Films   | \$ (8)             | \$ (6)          | \$ (35)          | \$ 10         |
| Digital Printing and Enterprise  | (27)               | (11)            | (52)             | (29)          |
| Total of reportable segments   | (35)               | (17)            | (87)             | (19)          |
| All Other  | (4)                | -               | (7)              | (2)           |
| Restructuring costs and other  | (20)               | (33)            | (33)             | (46)          |
| Corporate components of pension and OPEB income <sup>(1)</sup>   | 30                 | 14              | 60               | 26            |
| Other operating income, net  | -                  | 1               | -                | 495           |
| Loss on early extinguishment of debt, net  | -                  | -               | -                | 6             |
| Interest expense   | 16                 | 47              | 32               | 72            |
| Other charges, net   | (2)                | (3)             | (3)              | (10)          |
| Reorganization items, net  | 5                  | 72              | 10               | 192           |
| Consolidated (loss) earnings from continuing operations before income taxes                                    | <u>\$ (52)</u>     | <u>\$ (157)</u> | <u>\$ (112)</u>  | <u>\$ 174</u> |

<sup>(1)</sup> Composed of interest cost, expected return on plan assets, amortization of actuarial gains and losses, amortization of prior service credits related to the U.S. Postretirement Benefit Plan and special termination benefits, curtailments and settlement components of pension and other postretirement benefit expenses, except for settlements in connection with the chapter 11 bankruptcy proceedings that are recorded in Reorganization items, net and curtailments and settlements included in (Loss) earnings from discontinued operations, net of income taxes in the Consolidated Statement of Operations.

**2014 COMPARED WITH 2013  
SECOND QUARTER AND YEAR TO DATE  
RESULTS OF OPERATIONS**

(in millions)

|   | Three Months Ended June 30, |               |                 |               |             | Six Months Ended June 30, |               |              |               |              |
|---|-----------------------------|---------------|-----------------|---------------|-------------|---------------------------|---------------|--------------|---------------|--------------|
|   | Successor                   |               | Predecessor     |               | %<br>Change | Successor                 |               | Predecessor  |               | %<br>Change  |
|   | 2014                        | % of<br>Sales | 2013            | % of<br>Sales |             | 2014                      | % of<br>Sales | 2013         | % of<br>Sales |              |
| Revenues  | \$ 525                      |               | \$ 583          |               | -10%        | \$ 1,009                  |               | \$ 1,177     |               | -14%         |
| Cost of revenues  | 423                         |               | 450             |               | -6%         | 818                       |               | 895          |               | -9%          |
| Gross profit  | 102                         | 19%           | 133             | 23%           | -23%        | 191                       | 19%           | 282          | 24%           | -32%         |
| Selling, general and administrative expenses  | 85                          | 16%           | 115             | 20%           | -26%        | 172                       | 17%           | 233          | 20%           | -26%         |
| Research and development costs  | 26                          | 5%            | 25              | 4%            | 4%          | 53                        | 5%            | 50           | 4%            | 6%           |
| Restructuring costs and other   | 20                          | 4%            | 29              | 5%            | -31%        | 33                        | 3%            | 40           | 3%            | -18%         |
| Other operating income, net   | -                           |               | (1)             |               |             | -                         |               | (495)        |               |              |
| (Loss) earnings from continuing operations before interest expense, other income (charges), net, reorganization items, net and income taxes | (29)                        | -6%           | (35)            | -6%           | 17%         | (67)                      | -7%           | 454          | 39%           | -115%        |
| Interest expense  | 16                          | 3%            | 47              | 8%            | -66%        | 32                        | 3%            | 72           | 6%            | -56%         |
| Loss on early extinguishment of debt, net   | -                           |               | -               |               |             | -                         |               | 6            |               |              |
| Other charges, net  | (2)                         |               | (3)             |               |             | (3)                       |               | (10)         |               |              |
| Reorganization items, net   | 5                           | 1%            | 72              | 12%           | -93%        | 10                        | 1%            | 192          | 16%           | -95%         |
| (Loss) earnings from continuing operations before income taxes  | (52)                        | -10%          | (157)           | -27%          | 67%         | (112)                     | -11%          | 174          | 15%           | -164%        |
| Provision for income taxes  | 8                           | 2%            | 51              | 9%            | -84%        | -                         | 0%            | 58           | 5%            | 100%         |
| (Loss) earnings from continuing operations  | (60)                        | -11%          | (208)           | -36%          | 71%         | (112)                     | -11%          | 116          | 10%           | -197%        |
| (Loss) earnings from discontinued operations, net of income taxes   | (2)                         |               | (16)            |               |             | 17                        |               | (57)         |               |              |
| Net (loss) earnings   | (62)                        | -12%          | (224)           | -38%          | 72%         | (95)                      | -9%           | 59           | 5%            | -261%        |
| Less: Net earnings attributable to noncontrolling interests   | -                           |               | -               |               |             | 3                         |               | -            |               |              |
| <b>NET (LOSS) EARNINGS ATTRIBUTABLE TO EASTMAN KODAK COMPANY</b>  | <b>\$ (62)</b>              | <b>-12%</b>   | <b>\$ (224)</b> | <b>-38%</b>   | <b>72%</b>  | <b>\$ (98)</b>            | <b>-10%</b>   | <b>\$ 59</b> | <b>5%</b>     | <b>-266%</b> |

|                     | Three Months Ended June 30, |                 | Percent Change vs. 2013 |           |                  |                               |
|---------------------|-----------------------------|-----------------|-------------------------|-----------|------------------|-------------------------------|
|                     | 2014 Amount                 | Change vs. 2013 | Volume                  | Price/Mix | Foreign Exchange | Manufacturing and Other Costs |
|                     |                             |                 |                         |           |                  |                               |
| Revenues            | \$ 525                      | -10%            | -11%                    | 1%        | -                | n/a                           |
| Gross profit margin | 19%                         | -4 pp           | n/a                     | -3 pp     | 0pp              | -1pp                          |

|                     | Six Months Ended June 30, |                 | Percent Change vs. 2013 |           |                  |                               |
|---------------------|---------------------------|-----------------|-------------------------|-----------|------------------|-------------------------------|
|                     | 2014 Amount               | Change vs. 2013 | Volume                  | Price/Mix | Foreign Exchange | Manufacturing and Other Costs |
|                     |                           |                 |                         |           |                  |                               |
| Revenues            | \$ 1,009                  | -14%            | -12%                    | -2%       | -                | n/a                           |
| Gross profit margin | 19%                       | -5pp            | n/a                     | -3pp      | 0pp              | -2pp                          |

## Revenues

### Current Quarter

For the three months ended June 30, 2014, revenues decreased approximately 10% compared with the same period in 2013, primarily due to volume declines in *Entertainment Imaging and Commercial Films* (-4%) and *Consumer Inkjet Systems* (-3%). This was partially offset by favorable price/mix within Intellectual Property and Brand Licensing (+2%). See segment discussions below for additional information.

### Year to Date

For the six months ended June 30, 2014, revenues decreased approximately 14% compared with the same period in 2013, primarily due to volume declines in *Entertainment Imaging and Commercial Films* (-5%) and *Consumer Inkjet Systems* (-3%). Also contributing to the decrease was unfavorable price/mix due to lower licensing revenue (-1%). See segment discussions below for additional information.

## Gross Profit

### Current Quarter

The decrease in gross profit percent for the three months ended June 30, 2014 of approximately 4pp as compared with the prior year period was driven by unfavorable price/mix within *Consumer Inkjet Systems* (-2pp) and increased manufacturing and other costs within *Graphics, Entertainment & Commercial Films* (-1pp). See segment discussions below for additional details.

### Year to Date

The decrease in gross profit percent for the six months ended June 30, 2014 of approximately 5pp as compared with the prior year period was driven by increased manufacturing and other costs within *Graphics, Entertainment & Commercial Films* (-2pp). Also contributing to the decrease was unfavorable price/mix primarily within *Consumer Inkjet Systems* (-1pp) and *Entertainment Imaging and Commercial Films* (-1pp) and lower licensing revenue (-1pp). See segment discussions below for additional details.

## Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses (SG&A) decreased (26%) for both the three and six months ended June 30, 2014, as compared with the prior year periods partially reflecting lower pension costs for the quarter and year-to-date periods (8% and 9%, respectively) with the remaining decrease primarily due to the impact of cost reduction actions.

## Research and Development Costs

Consolidated research and development (R&D) expenses increased for the three and six months ended June 30, 2014 (4% and 6% respectively) as compared with the prior year periods primarily due to increased expenditures in the Digital Printing and Enterprise Segment as new products get closer to commercialization. For both the three and six months ended June 30, 2014, increased depreciation expense from the application of fresh start accounting (10% for both periods) was mitigated by lower pension expense (-14% for both periods).

## Other Operating Income, Net

For details, refer to Note 7, "Other Operating Income, Net."

## Reorganization Items, Net

For details, refer to Note 2, "Reorganization Items, Net."



## Income Tax (Benefit) Provision

| (in millions)  | Three Months Ended |             | Six Months Ended |             |
|--|--------------------|-------------|------------------|-------------|
|  | June 30,           |             | June 30,         |             |
|  | Successor          | Predecessor | Successor        | Predecessor |
|  | 2014               | 2013        | 2014             | 2013        |
| (Loss) earnings from continuing operations before income taxes | \$ (52)            | \$ (157)    | \$ (112)         | \$ 174      |
| Provision for income taxes                                     | \$ 8               | \$ 51       | \$ -             | \$ 58       |
| Effective tax rate   | (15.4)%            | (32.5)%     | 0.0%             | 33.3%       |

## Current Quarter

The change in Kodak's effective tax rate from continuing operations for the quarter as compared to 2013 is primarily attributable to: (1) a decrease as a result of losses generated within the U.S. and certain jurisdictions outside the U.S. for which no benefit was recognized due to management's conclusion that it was more likely than not that the tax benefits would not be realized, (2) a provision as a result of the establishment of a deferred tax asset valuation allowance in certain jurisdictions outside the U.S. in the three months ended June 30, 2013, (3) a provision associated with withholding taxes on foreign dividends paid in the three months ended June 30, 2013, (4) a benefit associated with foreign withholding taxes on undistributed earnings in the three months ended June 30, 2013 and (5) a benefit as a result of tax accounting impacts related to items reported in Accumulated other comprehensive loss in the Consolidated Statement of Financial Position in the three months ended June 30, 2013.

## Year to Date

The change in Kodak's effective tax rate from continuing operations for the six months ended June 30, 2014 as compared to 2013 is primarily attributable to: (1) a provision as a result of losses generated within the U.S. for which no benefit was recognized, offset by income in certain jurisdictions outside the U.S. for which no provision was recognized due to management's conclusion that it was more likely than not that the tax benefits would not be realized in the six months ending June 30, 2014, (2) a benefit as a result of income within the U.S. for which no provision was recognized, offset by losses in certain jurisdictions outside the U.S. for which no benefit was recognized due to management's conclusion that it was more likely than not that the tax benefits would not be realized in the six months ended June 30, 2013, (3) a provision as a result of the establishment of a deferred tax asset valuation allowance in certain jurisdictions outside the U.S. in the six months ended June 30, 2013, (4) a provision associated with withholding taxes on foreign dividends paid in the six months ended June 30, 2013, (5) a decreased tax benefit associated with foreign withholding taxes on undistributed earnings, (6) a benefit associated with the tax impact of the goodwill impairment recognized in the six months ended June 30, 2013, (7) a provision associated with withholding taxes on the sale of intellectual property in the six months ended June 30, 2013, (8) a benefit as a result of Kodak reaching a settlement with a taxing authority in a location outside the U.S. related to withholding taxes in the six months ended June 30, 2014, (9) a benefit as a result of tax accounting impacts related to items reported in Accumulated other comprehensive loss in the Consolidated Statement of Financial Position in the six months ended June 30, 2013 and (10) a decrease associated with changes in audit reserves.

## Discontinued Operations

Discontinued operations of Kodak include the Personalized Imaging and Document Imaging businesses and other miscellaneous businesses. Refer to Note 14, "Discontinued Operations" for additional information.

**GRAPHICS, ENTERTAINMENT AND COMMERCIAL FILMS SEGMENT**

(in millions)

|  | Three Months Ended<br>June 30, |               |             |               |             | Six Months Ended<br>June 30, |               |             |               |             |
|--|--------------------------------|---------------|-------------|---------------|-------------|------------------------------|---------------|-------------|---------------|-------------|
|  | Successor                      |               | Predecessor |               | %<br>Change | Successor                    |               | Predecessor |               | %<br>Change |
|  | 2014                           | % of<br>Sales | 2013        | % of<br>Sales |             | 2014                         | % of<br>Sales | 2013        | % of<br>Sales |             |
| Revenues                                     | \$ 357                         |               | \$ 371      |               | -4%         | \$ 675                       |               | \$ 757      |               | -11%        |
| Cost of revenues                             | 307                            |               | 310         |               | -1%         | 594                          |               | 610         |               | -3%         |
| Gross profit                                 | 50                             | 14%           | 61          | 16%           | -18%        | 81                           | 12%           | 147         | 19%           | -45%        |
| Selling, general and administrative expenses | 53                             | 15%           | 63          | 17%           | -16%        | 106                          | 16%           | 127         | 17%           | -17%        |
| Research and development costs               | 5                              | 1%            | 4           | 1%            | 25%         | 10                           | 1%            | 10          | 1%            | 0%          |
| Segment (loss) earnings                      | \$ (8)                         | -2%           | \$ (6)      | -2%           | 33%         | \$ (35)                      | -5%           | \$ 10       | 1%            | -450%       |

|                     | Three Months Ended<br>June 30, |                                     |  | Percent Change vs. 2013 |           |                     |                                     |
|---------------------|--------------------------------|-------------------------------------|--|-------------------------|-----------|---------------------|-------------------------------------|
|                     | Successor<br>2014              | Change vs.<br>2013<br>(Predecessor) |  | Volume                  | Price/Mix | Foreign<br>Exchange | Manufacturing<br>and Other<br>Costs |
| Revenues            | \$ 357                         | -4%                                 |  | -6%                     | 1%        | 1%                  | n/a                                 |
| Gross profit margin | 14%                            | -2pp                                |  | n/a                     | 0pp       | -1pp                | -1pp                                |

|                     | Six Months Ended<br>June 30, |                                     |  | Percent Change vs. 2013 |           |                     |                                     |
|---------------------|------------------------------|-------------------------------------|--|-------------------------|-----------|---------------------|-------------------------------------|
|                     | Successor<br>2014            | Change vs.<br>2013<br>(Predecessor) |  | Volume                  | Price/Mix | Foreign<br>Exchange | Manufacturing<br>and Other<br>Costs |
| Revenues            | \$ 675                       | -11%                                |  | -8%                     | -3%       | -                   | n/a                                 |
| Gross profit margin | 12%                          | -7pp                                |  | n/a                     | -3pp      | -1pp                | -3pp                                |

**Revenues**
**Current Quarter**

The decrease in the Graphics, Entertainment and Commercial Films Segment revenues of approximately 4% for the second quarter reflected volume declines within *Entertainment Imaging & Commercial Films* driven by reduced demand for motion picture products (-10%) and unfavorable price/mix within Graphics (-2%) due to competitive pricing pressure. These impacts were partially offset by increased revenues from third party manufacturing services performed under supply agreements with Kodak Alaris (+4%). Also offsetting this decline was favorable price/mix within *Intellectual Property and Brand Licensing* due to increased revenues (+3%).

**Year to Date**

The decrease in the Graphics, Entertainment and Commercial Films Segment revenues of approximately 11% for the six months ended June 30, 2014 reflected volume declines within *Entertainment Imaging & Commercial Films* driven by reduced demand for motion picture products (-10%) and lower revenues within *Intellectual Property and Brand Licensing* (-2%). Offsetting these declines was increased revenues from third party manufacturing services performed under supply agreements with Kodak Alaris (+2%).

Included in first quarter 2013 revenues was a non-recurring licensing agreement which contributed approximately \$31 million to revenues. Second quarter and year-to-date 2014 revenues included \$9 million and \$18 million, respectively, of licensing revenue, received pursuant to a court order which requires equal payments during the first three quarters of 2014. Revenue is recognized related to these payments as cash is received.

## Gross Profit

### Current Quarter

The decrease in the Graphics, Entertainment and Commercial Films Segment gross profit percent of approximately 2pp for the second quarter was driven by unfavorable manufacturing and other costs within *Entertainment Imaging & Commercial Films* (-5pp), due to lower production volumes and increased depreciation costs. Also contributing to the decrease was unfavorable price/mix within Graphics (-1pp) and *Entertainment Imaging & Commercial Films* (-1pp). Partially offsetting these impacts was favorable price/mix within *Intellectual Property and Brand Licensing* (+2%) due to the payment mentioned above and favorable manufacturing and other costs within *Graphics* (+3pp) primarily due to lower material costs.

Included in the change in manufacturing and other costs noted above was the application of fresh start accounting, which resulted in increased depreciation expense in *Entertainment Imaging & Commercial Films* (-3pp).

### Year to Date

The decrease in the Graphics, Entertainment and Commercial Films Segment gross profit percent of approximately 7pp for the second quarter was driven by unfavorable manufacturing and other costs within *Entertainment Imaging & Commercial Films* (-7pp), primarily due to lower production volumes. Also contributing to the decrease was unfavorable price/mix within Graphics (-1pp), *Entertainment Imaging & Commercial Films* (-1pp) and *Intellectual Property and Brand Licensing* (-1pp). Partially offsetting these impacts was favorable manufacturing and other costs within *Graphics* (+4pp) primarily due to lower material costs.

Included in the change in manufacturing and other costs noted above was the application of fresh start accounting, which resulted in increased depreciation expense in *Entertainment Imaging & Commercial Films* (-3pp) and decreased depreciation and amortization expense in *Graphics* (+1pp).

**DIGITAL PRINTING AND ENTERPRISE SEGMENT**

(in millions)

|   | Three Months Ended<br>June 30, |               |             |               |             | Six Months Ended<br>June 30, |               |             |               |             |
|---|--------------------------------|---------------|-------------|---------------|-------------|------------------------------|---------------|-------------|---------------|-------------|
|   | Successor                      |               | Predecessor |               | %<br>Change | Successor                    |               | Predecessor |               | %<br>Change |
|   | 2014                           | % of<br>Sales | 2013        | % of<br>Sales |             | 2014                         | % of<br>Sales | 2013        | % of<br>Sales |             |
| Revenues  | \$ 168                         |               | \$ 198      |               | -15%        | \$ 334                       |               | \$ 395      |               | -15%        |
| Cost of revenues                                | 129                            |               | 140         |               | -8%         | 253                          |               | 284         |               | -11%        |
| Gross profit                                    | 39                             | 23%           | 58          | 29%           | -33%        | 81                           | 24%           | 111         | 28%           | -27%        |
| Selling, general and<br>administrative expenses | 42                             | 25%           | 49          | 25%           | -14%        | 84                           | 25%           | 99          | 25%           | -15%        |
| Research and development<br>costs               | 24                             | 14%           | 20          | 10%           | 20%         | 49                           | 15%           | 41          | 10%           | 20%         |
| Segment loss                                    | \$ (27)                        | -16%          | \$ (11)     | -6%           | -145%       | \$ (52)                      | -16%          | \$ (29)     | -7%           | -79%        |

|                     | Three Months Ended<br>June 30, |                                     | Percent Change vs. 2013 |           |                     |                                     |
|---------------------|--------------------------------|-------------------------------------|-------------------------|-----------|---------------------|-------------------------------------|
|                     | Successor<br>2014              | Change vs.<br>2013<br>(Predecessor) | Volume                  | Price/Mix | Foreign<br>Exchange | Manufacturing<br>and Other<br>Costs |
| Revenues            | \$ 168                         | -15%                                | -14%                    | -1%       | -                   | n/a                                 |
| Gross profit margin | 23%                            | -6pp                                | n/a                     | -6pp      | 0pp                 | 0pp                                 |

|                     | Six Months Ended<br>June 30, |                                     | Percent Change vs. 2013 |           |                     |                                     |
|---------------------|------------------------------|-------------------------------------|-------------------------|-----------|---------------------|-------------------------------------|
|                     | Successor<br>2014            | Change vs.<br>2013<br>(Predecessor) | Volume                  | Price/Mix | Foreign<br>Exchange | Manufacturing<br>and Other<br>Costs |
| Revenues            | \$ 334                       | -15%                                | -14%                    | -1%       | -                   | n/a                                 |
| Gross profit margin | 24%                          | -4pp                                | n/a                     | -3pp      | 0pp                 | -1pp                                |

**Revenues**
**Current Quarter**

The decrease in the Digital Printing and Enterprise Segment revenues of approximately 15% for the quarter was primarily attributable to volume declines within *Consumer Inkjet Systems* (-10%), driven by lower sales of ink to the existing installed base of printers. Also contributing to the decline were lower revenues within *Digital Printing* (-5%) due to fewer placements of Versamark continuous inkjet components and declines in related annuities during the current year quarter, and within *Enterprise Services & Solutions* (-2%) due to a reduction in government contracts as well as divested operations. Partially offsetting these declines were volume improvements within *Packaging and Functional Printing* (+2%) due to increased sales of Flexcel NX plates largely attributable to an increased installed base of Flexcel NX equipment.

**Year to Date**

The decrease in the Digital Printing and Enterprise Segment revenues of approximately 15% for the six months ended June 30, 2014 was primarily attributable to volume declines within *Consumer Inkjet Systems* (-10%), driven by lower sales of ink to the existing installed base of printers. Also contributing to the decline were lower revenues within *Digital Printing* (-5%) driven by fewer placements of electrophotographic units during the current year period and lower volume of Versamark continuous inkjet products noted above, and within *Enterprise Services & Solutions* (-2%) due to a reduction in government contracts as well as divested operations. Partially offsetting these declines were volume improvements within *Packaging and Functional Printing* (+2%) due to increased sales of Flexcel NX plates largely attributable to an increased installed base of Flexcel NX equipment.

## **Gross Profit**

### **Current Quarter**

The decrease in the Digital Printing and Enterprise Segment gross profit percent for the quarter of approximately 6pp was primarily due to consumer ink sales constituting a lower percentage of the segment's gross profit dollars (-5pp). Within manufacturing and other costs, increased depreciation and amortization expense from the application of fresh start accounting (-2pp) was offset by cost improvements in *Digital Printing* (+2pp) due to lower current engineering costs.

### **Year to Date**

The decrease in the Digital Printing and Enterprise Segment gross profit of approximately 4pp for the six months ended June 30, 2014 was primarily due to consumer ink sales constituting a lower percentage of the segment's gross profit dollars (-3pp) and higher manufacturing and other costs (-1pp) primarily due to a net increase in depreciation and amortization expense from the application of fresh start accounting.

### **Research and Development Costs**

R&D expenses increased for the three months and six months ended June 30, 2014 as compared with the prior year periods due to increased depreciation expense from the application of fresh start accounting (+8% and 9%, respectively) with the remaining increase primarily due to increased expenditures as new products get closer to commercialization.

## RESTRUCTURING COSTS AND OTHER

Charges for restructuring activities are recorded in the period in which Kodak commits to a formalized restructuring plan, or executes the specific actions contemplated by the plan, and all criteria for liability recognition under the applicable accounting guidance have been met. Restructuring actions taken in the first half of 2014 included steps toward exiting a plate manufacturing facility in the UK, as described in further detail below. In addition, actions were initiated to reduce Kodak's cost structure as part of its commitment to drive sustainable profitability and included a workforce reduction in France, manufacturing capacity reductions in the U.S. and various targeted reductions in service, sales, research and development and other administrative functions.

Kodak recorded \$20 million and \$33 million of charges for the three and six months ended June 30, 2014, respectively, which were reported as Restructuring costs and other in the accompanying Consolidated Statement of Operations. The severance and exit costs reserves require the outlay of cash, while long-lived asset impairments, accelerated depreciation and inventory write-downs represent non-cash items.

Kodak made cash payments related to restructuring of approximately \$10 million and \$24 million during the quarter and six months ended June 30, 2014, respectively.

The restructuring actions implemented in the first half of 2014 are expected to generate future annual cash savings of approximately \$37 million. These savings are expected to reduce future annual Cost of sales, SG&A, and R&D expenses by \$18 million, \$14 million, and \$5 million, respectively. Kodak began realizing a portion of these savings in the first quarter, and expects the majority of the annual savings to be in effect by the end of 2014 as actions are completed.

### Leeds Plate Manufacturing Facility Exit

On March 3, 2014, Kodak announced a plan to exit its prepress plate manufacturing facility located in Leeds, England. This decision was pursuant to Kodak's initiative to consolidate manufacturing operations globally, and is expected to result in a more efficient delivery of its products and solutions. Kodak began the exit of the facility in the second quarter of 2014, and expects to phase out production at the site from mid to late 2015 and to complete the exit of the facility by the second quarter of 2016.

As a result of the decision, Kodak currently expects to incur total charges of \$30 to \$40 million, including \$8 to \$10 million of charges related to separation benefits, \$20 to \$25 million of non-cash related charges for accelerated depreciation and asset write-offs and \$2 to \$5 million in other cash related charges associated with this action.

Kodak implemented certain actions under this program during the first half of 2014. As a result of these actions, Kodak recorded severance charges of \$3 million for the three and six months ended June 30, 2014.

## LIQUIDITY AND CAPITAL RESOURCES

| (in millions)             | As of<br>June 30,<br>2014 | As of<br>December 31,<br>2013 |
|---------------------------|---------------------------|-------------------------------|
| Cash and cash equivalents | \$ 768                    | \$ 844                        |

### Cash Flow Activity

| (in millions)                             | Six Months Ended<br>June 30, |                     |        |
|---|------------------------------|---------------------|--------|
|   | Successor<br>2014            | Predecessor<br>2013 | Change |
| Cash flows from operating activities:     |                              |                     |        |
| Net cash used in operating activities     | \$ (132)                     | \$ (402)            | \$ 270 |
| Cash flows from investing activities:     |                              |                     |        |
| Net cash provided by investing activities | 63                           | 524                 | (461)  |
| Cash flows from financing activities:     |                              |                     |        |
| Net cash used in financing activities     | (2)                          | (218)               | 216    |
| Effect of exchange rate changes on cash   | (5)                          | (24)                | 19     |
| Net decrease in cash and cash equivalents | \$ (76)                      | \$ (120)            | \$ 44  |

### Operating Activities

Net cash used in operating activities decreased \$270 million for the six months ended June 30, 2014 as compared with the corresponding period in 2013 primarily due to improved earnings impacting cash flow from operations, including lower professional fees associated with the reorganization, and payment of approximately \$100 million of interest in the prior year period, partially offset by the \$49 million funding of the EBP Trust.

### Investing Activities

Net cash provided by investing activities decreased \$461 million for the six months ended June 30, 2014 as compared with the corresponding period in 2013, primarily due to the proceeds from the sale of the digital imaging patent portfolio in the first quarter of 2013, partially offset by the net release of restricted cash in the six months ended June 30, 2014.

### Financing Activities

Net cash used in financing activities decreased \$216 million for the six months ended June, 2014 as compared with the corresponding period in 2013 due to the net pay-down of debt in the prior year period of \$218 million.

## **Sources of Liquidity**

Available liquidity includes cash balances and the unused portion of the Asset Based Revolving Credit Agreement (the “ABL Credit Agreement”). The ABL Credit Agreement had \$33 million of net availability as of June 30, 2014. The amount of available liquidity is subject to fluctuations and includes cash balances held by various entities worldwide. At June 30, 2014 and December 31, 2013, approximately \$192 million and \$307 million, respectively, of cash and cash equivalents were held within the U.S. and approximately \$576 million and \$537 million, respectively, of cash and cash equivalents were held outside the U.S. Cash balances held outside of the U.S. are generally required to support local country operations, may have high tax costs, or other limitations that delay the ability to repatriate, and therefore may not be readily available for transfer to other jurisdictions. Additionally, in China, where approximately \$258 million of cash and cash equivalents was held as of June 30, 2014, there are limitations related to net asset balances that may impact the ability to make cash available to other jurisdictions in the world. Under the terms of the Senior Secured First Lien Term Credit Agreement, Senior Secured Second Lien Term Credit Agreement and the ABL Credit Agreement, the Company is permitted to invest up to \$100 million in subsidiaries and joint ventures that are not party to these loan agreements.

Cash flow from investing activities included \$13 million of capital expenditures for six months ended June 30, 2014. Kodak expects approximately \$40 million of total capital expenditures for 2014. Additionally, Kodak intends to utilize a variety of methods to finance customer equipment purchases in the future, including expansion of existing third party finance programs and internal financing through both leasing and installment loans.

Kodak believes that its liquidity position is adequate to fund its operating and investing needs and to provide the flexibility to respond to further changes in the business environment.

## **Venezuela Currency**

The Venezuelan government has maintained currency controls and a fixed official exchange rate since 2003. At June 30, 2014, the official exchange rate is 6.3 Venezuelan Bolivars Fuertes (“BsF”) to the U.S. dollar. Kodak has accounted for the Venezuelan economy as highly inflationary since 2010. Accordingly, Kodak’s Venezuelan subsidiary uses the U.S. dollar as its functional currency, and monetary assets and liabilities denominated in BsF generate income or expense for changes in value associated with foreign currency exchange rate fluctuations against the U.S. dollar.

In 2013, the Venezuelan government announced the creation of a complementary currency exchange system, Sistema Complementario de Administracion de Divisas 1 (“SICAD 1”). SICAD 1 is determined by an auction process restricted to invited entities for designated uses. At June 30, 2014, the SICAD 1 exchange rate was 10.6 BsF to the U.S. Dollar. In 2014, the Venezuelan government created another currency exchange system, Sistema Complementario de Administracion de Divisas 2 (“SICAD 2”), indicating that all industry sectors and companies would be eligible to participate in SICAD 2. Transactions in SICAD 2 are regulated by the Venezuelan Central Bank. Entities must submit applications to convert BsF to U.S. dollars under SICAD 2. The exchange rate of SICAD 2 as of June 30, 2014 was 49.98 BsF to the U.S. dollar.

Since emergence from bankruptcy and divestiture of the Personalized Imaging and Document Imaging businesses in September 2013, Kodak’s Venezuelan subsidiary does not have ongoing trading activity. Kodak is evaluating its strategic options with respect to the Venezuela market, including trading activity in the Venezuelan subsidiary. As of June 30, 2014, Kodak’s Venezuelan subsidiary had approximately \$19 million of BsF denominated net monetary assets, including cash and cash equivalents of approximately \$17 million.

The conversion of BsF to U.S. dollars must be approved by the Venezuelan government through one of the exchange mechanisms noted above. Kodak has not accessed U.S. dollars in Venezuela using either SICAD 1 or SICAD 2 and has not applied to utilize either exchange. Kodak continues to use the official rate to remeasure BsF denominated monetary assets and liabilities of its Venezuelan subsidiary to the U.S. dollar due to various factors including, but not limited to: the lack of history and visibility to the exchangeability and participation requirements related to SICAD 1 and SICAD 2; the probability of accessing and obtaining currency by use of a particular rate or mechanism; Kodak’s intent and ability to access U.S. dollars in Venezuela; and the potential for future trading activity in the Venezuelan subsidiary. In addition, it is Kodak’s understanding that Venezuelan government officials have recently indicated that the three exchanges could progressively converge, with a new system involving a single unified rate that could be in place by the end of 2014. Kodak will continue to monitor the impact of these possible changes. Kodak cannot predict whether there will be further devaluation of the BsF or whether its use of the 6.3 rate will continue to be supported by evolving facts and circumstances. If Kodak used the SICAD 1 exchange rate of 10.6 BsF to the U.S. dollar or the SICAD 2 exchange rate of 49.98 BsF to the U.S. dollar as of June 30, 2014, a pre-tax translation loss of approximately \$8 million or \$16 million, respectively, would have been reported in the quarter ended June 30, 2014.



## CAUTIONARY STATEMENT PURSUANT TO SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report on Form 10-Q, includes "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995.

Forward-looking statements include statements concerning the Company's plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, liquidity, investments, financing needs, business trends, and other information that is not historical information. When used in this document, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "predicts," "forecasts," or future or conditional verbs, such as "will," "should," "could," or "may," and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, management's examination of historical operating trends and data are based upon the Company's expectations and various assumptions. Future events or results may differ from those anticipated or expressed in these forward-looking statements. Important factors that could cause actual events or results to differ materially from these forward-looking statements include, among others, the risks and uncertainties described in more detail in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 under the headings "Business," "Risk Factors," and/or "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources," and those described in other filings the Company makes with the SEC from time to time, as well as the following: the Company's ability to improve and sustain its operating structure, financial results and profitability; the ability of the Company to achieve cash forecasts, financial projections, and projected growth; our ability to achieve the financial and operational results contained in our business plans; the ability of the Company to discontinue or sell certain non-core businesses or operations; the Company's ability to comply with the covenants in its credit facilities; our ability to obtain additional financing if and as needed; any potential adverse effects of the chapter 11 proceedings on the Company's brand or business prospects; the Company's ability to fund continued investments, capital needs, restructuring payments and service its debt; changes in foreign currency exchange rates, commodity prices and interest rates; the resolution of claims against the Company; our ability to attract and retain key executives, managers and employees; our ability to maintain product reliability and quality and growth in relevant markets; our ability to effectively anticipate technology trends and develop and market new products, solutions and technologies; and the impact of the global economic environment on the Company. There may be other factors that may cause the Company's actual results to differ materially from the forward-looking statements. All forward-looking statements attributable to the Company or persons acting on its behalf apply only as of the date of this report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this document. The Company undertakes no obligation to update or revise forward-looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

### Item 3. Quantitative And Qualitative Disclosures About Market Risk

Kodak, as a result of its global operating and financing activities, is exposed to changes in foreign currency exchange rates, commodity prices, and interest rates, which may adversely affect its results of operations and financial position. In seeking to minimize the risks associated with such activities, Kodak may enter into derivative contracts. Kodak does not utilize financial instruments for trading or other speculative purposes. Foreign currency forward contracts are used to hedge existing foreign currency denominated assets and liabilities, especially those of Kodak's International Treasury Center, as well as forecasted foreign currency denominated intercompany sales. Kodak's exposure to changes in interest rates results from its investing and borrowing activities used to meet its liquidity needs. Long-term debt is generally used to finance long-term investments, while short-term debt is used to meet working capital requirements.

Using a sensitivity analysis based on estimated fair value of open foreign currency forward contracts using available forward rates, if the U.S. dollar had been 10% weaker at June 30, 2014 and December 31, 2013, the fair value of open forward contracts would have decreased \$5 million and \$13 million, respectively. Such changes in fair value would be substantially offset by the revaluation or settlement of the underlying positions hedged.

Kodak is exposed to interest rate risk primarily through its borrowing activities and, to a lesser extent, through investments in marketable securities. Kodak may utilize borrowings to fund its working capital and investment needs. There is inherent roll-over risk for borrowings and marketable securities as they mature and are renewed at current market rates. The extent of this risk is not predictable because of the variability of future interest rates and business financing requirements.

Kodak's borrowings are in variable-rate instruments with an interest rate floor. At June 30, 2014 and December 31, 2013, the one-month LIBOR rate was approximately 0.16% and 0.17%, respectively. If LIBOR rates were to rise above the 1% and 1.25% floors, interest expense would increase approximately \$7 million for each 1% of LIBOR above the floor (\$691 million face amount of debt times 1% at June 30, 2014). Kodak's financial instrument counterparties are high-quality investment or commercial banks with significant experience with such instruments. Kodak manages exposure to counterparty credit risk by requiring specific minimum credit standards and diversification of counterparties. Kodak has procedures to monitor the credit exposure amounts. The maximum credit exposure at June 30, 2014 was not significant to Kodak.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

Kodak maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to ensure that information required to be disclosed in Kodak's reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including Kodak's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, Kodak's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and, in reaching a reasonable level of assurance, Kodak's management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Kodak's management, with participation of Kodak's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of Kodak's disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on their evaluation and subject to the foregoing, Kodak's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, Kodak's disclosure controls and procedures were effective.

### Changes in Internal Control over Financial Reporting

There have been no changes in Kodak's internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, Kodak's internal control over financial reporting.

## Part II. Other Information

### Item 1. Legal Proceedings

Subsequent to the Company's Bankruptcy Filing, between January 27, 2012 and March 22, 2012, several putative class action suits were filed in federal court in the Western District of New York against the committees of the Company's Stock Ownership Plan ("SOP") and Savings and Investment Plan ("SIP"), and certain former and current executives of the Company. The suits have been consolidated into a single action brought under the Employee Retirement Income Security Act ("ERISA"), styled as *In re Eastman Kodak ERISA Litigation*. The allegations concern the decline in the Company's stock price and its alleged impact on SOP and SIP. Plaintiffs seek the recovery of any losses to the applicable plans, a constructive trust, the appointment of an independent fiduciary, equitable relief, as applicable, and attorneys' fees and costs. Defendants' motion to dismiss the litigation was heard on May 23, 2013 and has been taken under advisement. On behalf of the defendants in this case, the Company believes that the case is without merit and will vigorously defend the defendants on their behalf.

On June 17, 2013, the Company, the New York State Department of Environmental Conservation and the New York State Urban Development Corporation, d/b/a Empire State Development entered into a settlement agreement subsequently amended on August 6, 2013 (the "Amended EBP Settlement Agreement") which resolves certain of the Company's historical environmental liabilities at Eastman Business Park ("EBP") through the establishment of a \$49 million environmental remediation trust (the "EBP Trust"). The Amended EBP Settlement Agreement was subject to the satisfaction or waiver of certain conditions including Bankruptcy Court approval of a covenant not to sue from the U.S. Environmental Protection Agency ("EPA") with respect to the liabilities that are addressed in the Amended EBP Settlement Agreement. On May 13, 2014, the Bankruptcy Court approved the U.S. Environmental settlement, which contained the EPA covenant not to sue. On May 20, 2014, the Amended EBP Settlement became effective and was implemented, as follows: (i) the EBP Trust is responsible for investigation and remediation at EBP arising from the Company's historical environmental liabilities in existence prior to the effective date of the EBP settlement, (ii) the Company has funded the EBP Trust with a \$49 million payment and transfer of certain equipment and fixtures used for remediation at EBP, and (iii) in the event the historical liabilities exceed \$99 million, the Company will become liable for 50% of the portion above \$99 million.

The Company and its subsidiaries are involved in various lawsuits, claims, investigations, remediations and proceedings, including commercial, customs, employment, environmental, and health and safety matters, which are being handled and defended in the ordinary course of business. The Company is also subject to various assertions, claims, proceedings and requests for indemnification concerning intellectual property, including patent infringement suits involving technologies that are incorporated in a broad spectrum of the Company's products. These matters are in various stages of investigation and litigation, and are being vigorously defended. Based on information presently available, the Company does not believe that it is probable that losses for known exposures could have a material adverse effect on its financial condition or results of operations. Litigation is inherently unpredictable, and judgments could be rendered or settlements entered that could adversely affect Kodak's operating results or cash flows in a particular period.

**Items 1A, 2, 3, 4 and 5.**

Not applicable.

**Item 6. Exhibits**

(a) Exhibits required as part of this report are listed in the index appearing below.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**EASTMAN KODAK COMPANY**  
(Registrant)

Date: **August 5, 2014**

/s/ Eric Samuels

**Eric Samuels**  
**Chief Accounting Officer and Corporate Controller**  
**(Chief Accounting Officer and Authorized Signatory)**

**Eastman Kodak Company**  
**Index to Exhibits**

**Exhibit  
Number**

|           |   |
|-----------|---|
| (3.1)     | Third Amended and Restated By-Laws, filed herewith.   |
| *(10.1)   | Employment Agreement between Eastman Kodak Company and John N. McMullen, dated May 16, 2014, filed herewith.  |
| (31.1)    | Certification signed by Jeffrey J. Clarke, filed herewith.  |
| (31.2)    | Certification signed by John N. McMullen, filed herewith.   |
| (32.1)    | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Jeffrey J. Clarke – filed herewith. |
| (32.2)    | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 signed by John N. McMullen– filed herewith.    |
| (101.CAL) | XBRL Taxonomy Extension Calculation Linkbase.   |
| (101.INS) | XBRL Instance Document.   |
| (101.LAB) | XBRL Taxonomy Extension Label Linkbase.   |
| (101.PRE) | XBRL Taxonomy Extension Presentation Linkbase.  |
| (101.SCH) | XBRL Taxonomy Extension Schema Linkbase.  |
| (101.DEF) | XBRL Taxonomy Extension Definition Linkbase.  |

\* Management contract or compensatory plan or arrangement.



## CERTIFICATION

I, Jeffrey J. Clarke, certify that:

- 1) I have reviewed this Form 10-Q;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/Jeffrey J. Clarke  
Jeffrey J. Clarke  
Chief Executive Officer

Date: **August 5, 2014**

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## CERTIFICATION

I, John N. McMullen, certify that:

- 1) I have reviewed this Form 10-Q;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/John N. McMullen  
John N. McMullen  
Chief Financial Officer

Date: **August 5, 2014**

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**CERTIFICATION PURSUANT TO  
18 U.S.C. Section 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Eastman Kodak Company (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey J. Clarke, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- 1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Jeffrey J. Clarke  
Jeffrey J. Clarke  
Chief Executive Officer

Date: **August 5, 2014**

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**CERTIFICATION PURSUANT TO  
18 U.S.C. Section 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Eastman Kodak Company (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John N. McMullen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- 1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/John N. McMullen  
John N. McMullen  
Chief Financial Officer

Date: **August 5, 2014**

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## EASTMAN KODAK COMPANY

## A New Jersey Corporation

## THIRD AMENDED AND RESTATED BY-LAWS

May 16, 2016

## Article 1

## SHAREHOLDERS

**Section 1.** Annual Meetings of Shareholders.

An annual meeting of the shareholders of the corporation, for the election of directors and for the transaction of other business properly before the meeting, shall be held in each year, on the date and at the time and place, as shall be fixed from time to time by the Board of Directors (the "Board").

**Section 2.** Special Meetings of Shareholders.

Special meetings of the shareholders, except where otherwise provided by law or these by-laws, may be called to be held on the date and at the time and place fixed by the Board, the Chairman of the Board (the "Chairman"), or the President, and shall be called by the Chairman, the President or the Secretary at the request in writing of a majority of the Board or at the request in writing of shareholders owning, in the aggregate, shares entitled to at least 20% of the total number of votes represented by the entire amount of capital stock of the corporation issued and outstanding and entitled to vote at the meeting. The request shall state the purpose or purposes of the proposed meeting and shall include (i) a request for the inclusion in the notice of meeting of the proposal(s) the requesting shareholder(s) desires to bring before the meeting, (ii) the text of the proposal(s), (iii) the requesting shareholder(s)' name(s) and address(es) and (iv) the number and class of all shares of each class of stock of the corporation owned of record and beneficially (pursuant to Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934 (as amended from time to time, the "Exchange Act")) by the requesting shareholder(s). The Secretary shall (as promptly as practicable but in no event more than ten days following delivery of a request) determine whether the request has been made by shareholders owning and holding, in the aggregate, the number of shares necessary to request a special meeting pursuant to this Section 2. Upon the Secretary's finding that the requisite number of shares have made the request, the Board shall determine (as promptly as practicable but in no event more than ten days following the date of the Secretary's finding) whether the request is valid under applicable law, and if the request is determined to be valid shall fix a place and time for the meeting, which time shall be not less than ninety nor more than one hundred days after the receipt of the meeting request.

**Section 3.** Notices of Meetings of Shareholders.

Notice of annual and special meetings of shareholders shall be given, not less than ten nor more than sixty days before the meeting, to each shareholder of record entitled to vote at the meeting, setting forth the date, time, place, and purpose or purposes of the meeting. The notice shall be given by mail or any other method permitted by law to each shareholder of record entitled to vote at the meeting, directed to the shareholder at the shareholder's address as it appears on the stock books of the corporation.

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**Section 4. Quorum.**

Unless otherwise provided by law or the Certificate of Incorporation, the holders of shares entitled to cast a majority of the votes at a meeting of shareholders shall constitute a quorum at the meeting. Any action, other than the election of directors, shall be authorized by a majority of the votes cast at the meeting by the holders of shares entitled to vote thereon, unless a greater plurality is required by law or the Certificate of Incorporation. Less than a quorum may adjourn the meeting. No notice of an adjournment of the meeting shall be necessary if the Board does not fix a new record date for the adjourned meeting and if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken and if at the adjourned meeting only such business is transacted as might have been transacted at the original meeting.

For purposes of the foregoing, where a separate vote by class or classes is required for any matter, the holders of a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum to take action with respect to that vote on that matter. Two or more classes or series of stock shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting.

**Section 5. Qualifications of Voters.**

At each meeting of the shareholders, each holder of record of each outstanding share of common stock of the corporation shall be entitled to one vote on each matter submitted to a vote. The Board may fix in advance a date not less than ten nor more than sixty days preceding the date of any meeting of shareholders and not exceeding sixty days preceding the date for the payment of any dividend, or for the allotment of any rights, or for the purpose of any other action, as a record date for the determination of shareholders entitled to notice of and to vote at the meeting or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or allotment of any right, or for the purpose of any other action. In each case only shareholders of record at the close of business on the date so fixed shall be entitled to notice of and to vote at such meeting or to consent to or dissent from any proposal without a meeting, or to receive payment of a dividend or allotment of rights or take any other action, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date.

**Section 6. Voting.**

The vote for the election of directors and the vote on any question before the meeting may be taken by ballot and shall be taken by ballot if requested at the meeting by a shareholder entitled to vote at the meeting. Each ballot shall state the name of the shareholder voting, if the shareholder is voting in person, or if voting by proxy, then the name of the proxy and the number of votes cast by the ballot. A shareholder may vote either in person or by proxy.

**Section 7. Selection of Inspectors.**

The Board may, in advance of any meeting of shareholders, appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, or if any inspector fails to qualify, appear or act and the vacancy is not filled by the Board in advance of the meeting, the person presiding at the meeting may, and on the request at the meeting of any shareholder entitled to vote at the meeting shall, make such appointment. No person shall be elected a director at a meeting at which the person has served as an inspector.

**Section 8.** Duties of Inspectors.

The inspectors shall determine the number and voting power of shares outstanding, the number of shares represented at the meeting, the existence of a quorum, and the validity and effect of proxies. The inspectors shall receive votes or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes or consents, determine the result, and do any acts proper to conduct the election or vote with fairness to all shareholders. In determining the number of shares outstanding, the inspectors may rely on reports of the Treasurer or transfer agent. In determining the voting power of each share, the inspectors may rely on reports of the Secretary. In determining the results of any voting, the inspectors may rely on the reports of the Secretary as to the vote required to take any action or the vote required in an election.

**Section 9.** Advance Notice of Shareholder Nominees for Director and Other Shareholder Proposals.

- (a) In addition to any other requirements under these by-laws, the Certificate of Incorporation or applicable laws, only matters properly brought before any annual or special meeting of shareholders of the corporation in compliance with the procedures set forth in this Section 9 shall be considered at such meeting.
- (b) For any matter to be properly brought before any meeting of shareholders, the matter must be specified in the notice of meeting given by the corporation.
- (c) A shareholder desiring to bring a proposal before an annual meeting of shareholders (other than to nominate a director of the corporation) shall deliver to the Secretary, the following: (i) a request for inclusion of the proposal in the notice of meeting, (ii) the text of the proposal(s) the shareholder intends to present at the meeting and, at the option of the shareholder, a brief explanation of why the shareholder favors the proposal(s), (iii) the shareholder's name and address, (iv) the number and class of all shares of each class of stock of the corporation owned of record and beneficially (pursuant to Rules 13d-3 and 13d-5 under the Exchange Act) by the shareholder and (v) any material interest of the shareholder (other than as a shareholder) in the proposal.
- (d) A shareholder desiring to nominate a person(s) for election as director of the corporation at an annual meeting shall deliver to the Secretary, the following: (i) the name of the person(s) to be nominated, (ii) the number and class of all shares of each class of stock of the corporation owned of record and beneficially by each nominee, as reported to the shareholder by the nominee(s), (iii) the information regarding each nominee required by paragraphs (a), (e) and (f) of Item 401 of Regulation S-K adopted by the Securities and Exchange Commission (or the corresponding provisions of any regulation subsequently adopted by the Securities and Exchange Commission applicable to the corporation), (iv) each nominee's signed consent to serve as a director, (v) the proposing shareholder's name and address and (vi) the number and class of all shares of each class of stock of the corporation owned of record and beneficially (pursuant to Rules 13d-3 and 13d-5 under the Exchange Act) by the shareholder. In addition, the proposing shareholder shall furnish the corporation with all other information the corporation may reasonably request to determine whether the nominee would be considered "independent" under the rules and standards applicable to the corporation.
- (e) Any request to be delivered pursuant to subsection (c) or (d) hereof must be delivered to the Secretary at the principal office of the corporation not less than ninety nor more than one hundred twenty days prior to the first anniversary of the annual meeting for the preceding year; provided, however, that if and only if the annual meeting is not scheduled to be held within thirty days before or after the first anniversary date, the request shall be given in the manner provided herein by the later of the close of business on (i) the ninetieth day prior to the annual meeting date or (ii) the tenth day following the date that the annual meeting date is first publicly disclosed.

Notwithstanding anything in this Section 9(e) to the contrary, if the number of directors to be elected is increased due to an increase in the number of directors fixed by the Board or a change in the Certificate of Incorporation and either all of the nominees or the size of the increased Board is not publicly disclosed by the corporation at least one hundred days prior to the first anniversary of the preceding year's annual meeting, a request to be delivered pursuant to subsection (d) hereof shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive office of the corporation not later than the close of business on the tenth day following the first date all of such nominees or the size of the increased Board shall have been publicly disclosed in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission.

(f) A shareholder desiring to call a special meeting pursuant to Article 1, Section 2 of these by-laws shall comply with that Section in addition to Subsection (b) of this Section 9.

(g) If a shareholder has submitted a request in compliance with subsection (c) or (f) hereof, the corporation shall include the proposal contained in the request in the corporation's notice of meeting sent to shareholders, unless the requested proposal is not a proper action for shareholders to take as determined by the Board after advice from counsel.

(h) In no event shall the postponement or adjournment of an annual meeting already publicly noticed, or any announcement of the postponement or adjournment, commence a new period (or extend any time period) for the giving of notice as provided in this Section 9.

(i) Subsections (c) and (f) of this Section 9 shall not apply to shareholders' proposals made pursuant to Rule 14a-8 under the Exchange Act. This Section 9 shall not apply to the election of directors selected pursuant to the provisions of Article V of the Certificate of Incorporation relating to the rights of the holders of any class or series of stock of the corporation having a preference, as to dividends or upon liquidation of the corporation to elect directors under specified circumstances.

(j) The Chairman or, in the absence of the Chairman, the Chief Executive Officer, or in the absence of the Chairman and the Chief Executive Officer, the President, or in the absence of the Chairman, Chief Executive Officer and the President, the Vice-President designated by the Board to perform the duties and exercise the powers of the President, shall preside at any meeting of shareholders and, in addition to making any other determinations appropriate to the conduct of the meeting, shall have the power and duty to determine whether notice of nominees and other matters proposed has been duly given in the manner provided in this Section 9 and, if not so given, shall direct and declare at the meeting that such nominees or other matters are not properly before the meeting and shall not be considered. The Board may adopt by resolution such rules, regulations and procedures for the conduct of shareholders' meetings as it shall deem appropriate.

**Section 10. Procedure for Action by Written Consent; Inspectors and Effectiveness.**

(a) In order that the corporation may determine the shareholders entitled to consent to corporate action in writing without a meeting, the Board shall fix a record date, which record date shall not precede the date upon which it adopts the resolution fixing the record date. Any shareholder entitled to vote on an action required or permitted to be taken at a meeting of shareholders who is seeking to have the shareholders authorize or take any such action by written consent shall, by written notice to the Secretary, request that the Board fix a record date. The Board shall promptly, but in no event more than ten days after the date on which the request is received, adopt a resolution fixing the record date. If no record date has been fixed within the time set forth above, the record date, when no prior action by the Board is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Secretary. If no record date has been fixed by the Board and prior action by the Board is required by applicable law, the record date shall be at the close of business on the date on which the Board adopts the resolution taking such prior action.

- (b) The Board shall fix a date on which written consents are to be tabulated (the “Tabulation Date”).
- (c) Every written consent shall bear the date of signature of each shareholder or person acting by proxy who signs the consent, and in the case of a consent executed by a person acting by proxy, a copy of the proxy shall be attached. No action by written consent shall be effective unless by the Tabulation Date (or in the event the Board fails to set a Tabulation Date, by the date required under applicable law) a written consent or consents (after taking into account any consent revocations) signed by a sufficient number of shareholders to take such action are delivered to the corporation.
- (d) Promptly following the receipt of any consents with respect to a proposed corporate action, after taking into account any consent revocations, the corporation shall promptly engage independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents and revocations, counting and tabulating the valid consents, making a written report certifying the results thereof promptly following the Tabulation Date, and performing other proper incident duties. Nothing contained in this paragraph shall in any way be construed to suggest or imply that the Board or any shareholder shall not be entitled to contest the validity of any consent or revocation thereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

## **Article 2**

### **DIRECTORS**

#### **Section 1.** Directors and Term of Office.

The Board shall consist of as many directors, not less than nine nor more than 13, as may from time to time be determined by the Board. All directors shall hold office until the next annual meeting and until their successors shall be duly elected and qualified.

#### **Section 2.** Election of Directors.

A nominee for director shall be elected to the Board if the nominee receives a majority of the votes cast. A nominee receives a majority of the votes cast if the votes “for” such nominee’s election exceed the votes “against” such nominee’s election. However, directors shall be elected by a plurality of the votes cast in any contested election for directors. A contested election is any election in which the number of nominees seeking election is more than the number of directors to be elected and shall include any meeting of shareholders for which (i) the Secretary receives a notice that a shareholder has nominated a person for election to the Board in compliance with the advance notice requirements for shareholder nominees for director set forth in Article 1, Section 9 of these by-laws and (ii) such nomination has not been withdrawn by such shareholder on or before the tenth day before the corporation first mails its notice of meeting for such meeting to the shareholders. Shareholders will be permitted only to vote “for” or “withhold” authority in a contested election.

**Section 3. Vacancies.**

In the event of a vacancy occurring in the Board, including a vacancy resulting from an increase in the number of directors as provided in Article V of the Certificate of Incorporation and Section 1 of this Article, and unless the Board determines to reduce the size of the Board to eliminate the vacancy, such vacancy shall be filled by the affirmative vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next succeeding annual meeting of shareholders and until their successors shall be duly elected and qualified, or until his or her earlier death, resignation, retirement, disqualification or removal.

**Section 4. Compensation.**

Directors may receive from the corporation reasonable compensation for their services, including a fixed sum and expenses for attendance at meetings of the Board and at meetings of committees of the Board as shall be determined from time to time by the Board.

**Section 5. Regular Meetings of Directors.**

The Board shall by resolution schedule regular Board meetings.

**Section 6. Notice of Regular Meetings of Directors.**

No notice shall be required to be given of any regular meeting of the Board except as the Board may require.

**Section 7. Special Meetings of Directors.**

Special meetings of the Board may be called at any time by the Chairman or any two directors and may be held at any time and place within or without the State of New Jersey.

**Section 8. Notice of Special Meetings of Directors.**

Notice of each special meeting of the Board, stating the day, time, place, and purpose or purposes thereof, shall be given by the Chairman of the Board, the Secretary or any two directors to each director not less than two days by mail or one day by facsimile, telephone (including voice mail) or, electronic mail, prior to the date specified for the meeting. Special meetings of the Board may also be held at any place and time, without notice, if all the directors are either present at the meeting or sign a waiver of notice, either before or after the meeting.

**Section 9. Quorum.**

At any meeting of the Board a quorum shall consist of a majority of the total number of directors and, except as otherwise provided by law or these by-laws, a majority of directors at a meeting at which a quorum is present shall decide any question that may come before the meeting. A majority of the directors present at any regular or special meeting, although less than a quorum, may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. At the adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting.

**Section 10.** Action of Directors or Committees Without a Meeting or When Directors are in Separate Places.

Any action required or permitted to be taken pursuant to authorization voted at a meeting of the Board or any Board committee may be taken without a meeting if, prior or subsequent to the action, all directors or members of the committee, as the case may be, consent thereto in writing and the written consents are filed with the minutes of the proceedings of the Board or committee. Any or all directors may participate in a meeting of the Board or committee by means of a conference telephone or any means of communication by which all persons participating in the meeting are able to hear each other.

**Section 11.** Common Directorship and Director's Personal Interest.

No contract or other transaction between the corporation and one or more of its directors, or between the corporation and any other corporation, firm or association of any type or kind in which one or more of this corporation's directors are directors or are otherwise interested, shall be void or voidable solely by reason of such common directorship or interest, or solely because such director or directors are present at the meeting of the Board or a committee thereof which authorizes or approves the contract or transaction, or solely because the votes of such director or directors are counted for such purpose, if, any one of the following is true: (1) the contract or other transaction is fair and reasonable as to the corporation at the time it is authorized, approved or ratified; or (2) the fact of the common directorship or interest is disclosed or known to the Board or committee and the Board or committee authorizes, approves or ratifies the contract or transaction by unanimous written consent, providing that at least one director so consenting is disinterested, or by a majority of the directors present at the meeting and also by a majority of the disinterested directors, even though the number of the disinterested directors is less than a quorum; or (3) the fact of the common directorship or interest is disclosed or known to the shareholders and they authorize, approve, or ratify the contract or transaction. Common or interested directors may be counted in determining the presence of a quorum at a Board or committee meeting at which a contract or transaction described in this by-law is authorized, approved or ratified.

**Article 3**

**EXECUTIVE COMMITTEE AND OTHER COMMITTEES**

**Section 1.** Establishment of Executive Committee and Other Committees.

There may be an Executive Committee, consisting of three or more directors, one of whom shall be the Chairman, appointed by the Board and such other committees, consisting of one or more directors, as from time to time established by a majority of the total number of directors the corporation would have if there were no vacancies (the "Entire Board"). All committee members shall be appointed for the term of one year but shall hold office until their successors are elected and have qualified. Any member of any committee, however, may be removed by the affirmative vote of a majority of the Entire Board. The Board may determine whether any committee shall be composed in part or entirely of directors who are independent of the corporation. The Board shall make all determinations of whether a director is independent.

**Section 2.** Vacancies.

In the event of a vacancy occurring in any committee, the Board, by resolution adopted by a majority of the Entire Board, may fill the vacancy for the unexpired term.

**Section 3.** Powers of Committees.

Subject to the limitations and regulations prescribed by law, including the New Jersey Business Corporation Act, or these by-laws or by the Board, the committees established by the Board shall have and may exercise all the authority of the Board, subject to their respective charters, except that no committee may make, alter, or repeal any by-laws, elect any director, remove any director or officer, submit to shareholders any action that requires shareholder approval, or amend or repeal any resolution of the Board establishing such committee or any other resolution of the Board which by its terms may be amended or repealed only by the Board.

**Section 4. Regular Meetings.**

The members of the Committee may by resolution schedule regular committee meetings.

**Section 5. Notice of Regular Meetings.**

No notice shall be required to be given of any regular meeting of any committee.

**Section 6. Special Meetings.**

Special meetings of the Executive Committee may be called at any time by the Chairman, the Chair of the committee, or by any two members of the committee and may be held at any place within or without the State of New Jersey and at any time. Special meetings of any other committee may be called as the committee may determine.

**Section 7. Notice of Special Meetings.**

Notice of each special meeting of any committee, stating the meeting time, place, and purpose or purposes, shall be given by the Chair of the committee or by any two members of the committee, or, with respect to the Executive Committee, the Chairman or the Secretary or by any two members of the Executive Committee, to each member of the committee not less than two days by mail or one day by facsimile or telephone (including voice mail) or by electronic mail, prior to the meeting date. Special meetings of any committee may also be held at any place and time, without notice, by unanimous consent of all the committee members or if all the committee members are present at the meeting.

**Section 8. Quorum.**

At any committee meeting a majority of the committee members shall constitute a quorum and, except where otherwise provided by law or these by-laws, a majority of committee members at a committee meeting at which a quorum is present shall decide any question that may come before the committee meeting. A majority of the committee members present at any regular or special committee meeting, although less than a quorum, may adjourn the committee meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. At such adjourned committee meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the original committee meeting.

**Section 9. Committee Charters.**

Each committee may and, if directed by the Board, shall establish a charter reflecting its function, charge, and responsibilities. The charter shall be prepared by the committee and shall be subject to approval by the Board.

**Section 10. Committee Reports.**

Each committee shall report its actions taken at committee meetings to the Board at the next meeting of the Board following the committee meeting unless the committee meeting occurred fewer than two days before the Board Meeting, in which case, the committee report may be made at the second regular Board after the committee meeting.

## Article 4

### OFFICERS

#### Section 1. Officers Enumerated.

The officers of the corporation shall be a Chairman of the Board, a Chief Executive Officer, a President, one or more Vice-Presidents, a Secretary, a Treasurer, a Controller, and may include one or more Assistant Vice-Presidents, Assistant Secretaries, Assistant Treasurers, and Assistant Controllers, all of whom shall be elected by the Board. The Chairman shall be a director of the corporation. One person may hold more than one office. The Board may designate the officers who shall be the chief operating officer, the chief financial officer, and the chief legal officer of the corporation.

#### Section 2. Other Officers.

The Board may by resolution elect other officers, managers, agents, employees, or committees it deems necessary, who shall hold their offices for the terms and shall have the powers and perform the duties as shall be prescribed by the Board or these by-laws. One person may hold more than one office.

#### Section 3. Term of Office.

All officers elected by the Board shall be elected for one-year terms, but shall hold office until their successors are elected and have qualified. Any officer elected by the Board may be removed at any time by the affirmative vote of a majority of the Entire Board.

#### Section 4. Vacancies.

If any officer vacancy shall occur, the Board may fill it for the unexpired term.

#### Section 5. The Chairman of the Board.

The Chairman shall preside at all meetings of the Board and at all meetings of the shareholders and shall perform other duties as directed by the Board.

#### Section 6. The Chief Executive Officer.

The Chief Executive Officer shall have the general powers and duties of supervision and management of the property and affairs of the corporation which usually pertain to the office, and shall perform all other duties as directed by the Board. In the absence of the Chairman, the Chief Executive Officer shall preside at shareholder meetings and, if a director, Board meetings. In the absence or disability of the Chairman, the Chief Executive Officer, if a director, shall perform the duties and exercise the power of the Chairman.

#### Section 7. The President.

The President shall have the powers and perform the duties which usually pertain to the office, and shall perform all other duties as directed by the Board or the Chief Executive Officer. In the absence of the Chairman and the Chief Executive Officer, the President shall perform the duties and exercise the powers of the Chief Executive Officer and, if a director, the Chairman.



**Section 8.** The Vice-Presidents.

Each Vice-President shall have the powers and perform the duties which usually pertain to the office or as the Board, the Chairman, Chief Executive Officer or the President may direct. In the absence or disability of the Chairman, Chief Executive Officer and President, the Vice-President designated by the Board shall perform the duties and exercise the powers of the Chief Executive Officer, President and, if a director, the Chairman.

**Section 9.** The Secretary.

The Secretary shall issue notices of all meetings of shareholders and of the directors and of the Executive Committee where notices of such meetings are required by law or these by-laws. The Secretary shall keep the minutes of meetings of shareholders and of the Board and of the Executive Committee and shall sign instruments requiring the Secretary's signature, and shall perform other duties usually pertaining to the office and as the Board or the Chairman may direct.

**Section 10.** The Treasurer.

The Treasurer shall have the care and custody of all the moneys and securities of the corporation. The Treasurer shall cause to be entered in books of the corporation, full and accurate accounts of all moneys received and paid, shall sign instruments requiring the signature of the Treasurer, and shall perform other duties usually pertaining to the office and as the Board or the Chairman shall direct.

**Section 11.** The Controller.

The Controller shall have the custody and operation of the accounting books and records of the corporation and shall establish and maintain adequate systems of internal control, disclosure control, and audit to safeguard the assets of the corporation and shall perform other duties usually pertaining to the office and as the Board and the Chairman may direct.

**Section 12.** Assistant Vice-Presidents, Assistant Secretaries, Assistant Treasurers and Assistant Controller.

The duties of any Assistant Vice-Presidents, Assistant Secretaries, Assistant Treasurers and Assistant Controller shall be those usually pertaining to their respective offices and as may be properly required of them by the Board or by the officers to whom they report.

**Article 5**

**CAPITAL STOCK**

**Section 1.** Stock Certificates.

Shares of stock of the corporation shall be represented by certificates, or shall be uncertificated shares that may be evidenced by a book-entry maintained by the transfer agent and/or registrar of such stock, or a combination of both.

To the extent that shares are represented by certificates of stock, such certificates shall be issued only in numerical order with or without an alphabetic prefix or suffix. Certificates shall be signed by or bear the facsimile signatures of the Chairman, the President, or one of the Vice-Presidents and the Secretary, the Treasurer, Assistant Secretary or Assistant Treasurer. Certificates shall also be signed by or bear the facsimile signature of one of the transfer agents and of one of the registrars of the corporation as permitted or required by law. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon any such certificate shall thereafter have ceased to be such officer, transfer agent or registrar before the certificate is issued, it may be issued by the corporation with the same effect as if the signatory had not ceased to be such at the date of its issue.

**Section 2.** Transfer of Shares.

Transfers of certificated shares, except where otherwise provided by law or these by-laws, shall be made on the books of the corporation pursuant to authority granted by power of attorney duly executed and filed by the holder thereof with one of the transfer agents, upon surrender of the certificate or certificates of the shares and in accordance with the provisions of the Uniform Commercial Code as adopted in New Jersey and as amended from time to time.

Transfers of uncertificated shares, except where otherwise provided by law or these by-laws, shall be made on the books of the corporation upon receipt of proper transfer instructions from the registered holder of the uncertificated shares or by such person's attorney lawfully constituted in writing and in accordance with the provisions of the Uniform Commercial Code as adopted in New Jersey and as amended from time to time.

**Section 3.** Transfer Agents and Registrars.

The Board may at any time appoint one or more transfer agents and/or registrars for the transfer and/or registration of shares of stock, and may from time to time by resolution fix and determine the manner in which shares of stock of the corporation shall be transferred and/or registered.

**Section 4.** Lost, Stolen or Destroyed Certificates.

Where a certificate for shares has been lost, apparently destroyed, or wrongfully taken and its owner fails to so notify the corporation or the transfer agent within a reasonable time after having notice of the fact and the transfer agent or the corporation registers a transfer of the shares before receiving notification, the owner shall be precluded from asserting against the corporation any claim for registering the transfer of the shares or any claim to a new certificate.

Subject to the foregoing, where the owner of shares claims that the certificate representing the shares has been lost, destroyed, or wrongfully taken, the corporation shall issue a new certificate in place of the original certificate if the registered owner thereof, or the owner's legal representative, (a) requests the issue of a new certificate before the corporation has notice that the certificate has been acquired by a bona fide purchaser; (b) makes proof, in the form as the corporation prescribes, of ownership and that the certificate has been lost, destroyed or wrongfully taken; and (c) satisfies any other reasonable requirements imposed by the corporation including indemnification. Approvals or any requirements pursuant to this section by the corporation may be granted or imposed by the Chairman, the President, any Vice-President, the Secretary, any Assistant Secretary, or any other officer as authorized by the Board.

## Article 6

### DIVIDENDS AND FINANCES

#### Section 1. Dividends.

Dividends may be declared by the Board and paid by the corporation at the times determined by the Board, pursuant to the provisions of the New Jersey Business Corporation Act. Before payment of any dividend or making of any distribution of net profits there may be set aside out of the net profits of the corporation the sums determined by the Board from time to time, in its absolute discretion, to be proper and for the purposes determined by the Board to be conducive to the interests of the corporation.

#### Section 2. Finances.

All funds of the corporation not otherwise employed shall be deposited in its name in, and shall be subject to application or withdrawal from, banks, trust companies or other depositories to be selected in accordance with and in the manner and under the conditions authorized by, or pursuant to the authority of, resolutions of the Board. All checks, notes, drafts and other negotiable instruments of the corporation shall be signed by the officer, officers, agent, agents, employee or employees authorized by, or pursuant to the authority of, resolutions of the Board. No officers, agents, or employees, either singly or together, shall have power to make any check, note, draft, or other negotiable instrument in the name of the corporation or to bind the corporation thereby, except as may be authorized in accordance with the provisions of this section.

## Article 7

### GENERAL

#### Section 1. Form of Seal.

The seal of the corporation shall be two concentric circles with the words and figures "Eastman Kodak Company, Incorporated, 1901" between the circles and a monogram of the letters EKC in their center. The seal may be an impression, a drawing or a facsimile thereof as determined from time to time by the Board.

#### Section 2. Indemnification of Directors, Officers and Employees.

(a) The corporation shall, to the full extent authorized or permitted by law and within the limits of any agreement entered into by any particular Indemnitee (as defined below) with the corporation, indemnify and hold harmless against all liabilities any person who is or was a director or officer, including such director's or officer's estate (an "Indemnitee"), who is or was a party to or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative, investigative or otherwise in respect of any past, present or future matter, including any action suit or proceeding by or in the right of the corporation (an "Action"), by reason of the fact that the Indemnitee is or was serving as a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, trustee, employee or agent of any other enterprise; *provided, however*, that the corporation shall not indemnify an Indemnitee if a judgment or other final adjudication adverse to the Indemnitee establishes that the Indemnitee's acts or omissions (a) were acts or omissions that the Indemnitee knew or believed to be contrary to the best interests of the corporation or its shareholders in connection with a matter to which he or she had a material conflict of interest, (b) were not in good faith or involved a knowing violation of law or (c) resulted in receipt by such person of an improper personal benefit.

Subject to the receipt by the corporation of an undertaking by the Indemnitee to repay Expenses if there shall be a judgment or other final adjudication that the Indemnitee is not entitled to receive reimbursement of Expenses from the corporation, the corporation shall pay or reimburse within 20 days following the later of (i) the receipt of such undertaking and (ii) the receipt of a demand from the Indemnitee for payment or reimbursement of Expenses, in advance of final disposition or otherwise, to the full extent authorized or permitted by law, Expenses as incurred by the Indemnitee in defending any actual or threatened Action by reason of the fact that the Indemnitee is or was serving as a director, officer, trustee, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, trustee, employee or agent of any other enterprise; *provided, however*, that the corporation shall not be required hereunder to further pay or reimburse Expenses and, if requested by the corporation, shall be entitled to repayment of Expenses from the Indemnitee following any plea formally entered by or formal written admission by the Indemnitee in the Action for which the Indemnitee has sought payment or reimbursement of Expenses or indemnification that the Indemnitee has committed such acts or omissions establishing that the Indemnitee is not entitled to indemnification pursuant to this subsection (a). The Indemnitee shall be entitled to be paid or reimbursed for Expenses incurred in any Action to obtain indemnification or payment or reimbursement of Expenses under this subsection (a) under the same terms, conditions and limitations as the Indemnitee is entitled to Expenses under the previous sentence. The corporation shall not be obligated under this subsection (a) to provide any indemnification or any payment or reimbursement of Expenses to an Indemnitee in connection with an Action (or part thereof) initiated by the Indemnitee unless the Board has authorized or consented to the Action (or part thereof) in a resolution adopted by the Board. For the purposes of this Article 7, "Expenses" shall include, without limitation, all reasonable fees, costs and expenses, including without limitation, attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, or investigating an Action, including any Action to obtain indemnification or payment or reimbursement of Expenses.

(b) Any Indemnitee shall promptly notify the corporation in writing upon the sooner of (i) becoming aware of an action, suit or proceeding where indemnification or the advance payment or reimbursement of Expenses may be sought or (ii) being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any matter which may be subject to indemnification or the advance payment or reimbursement of Expenses covered under this Article 7. The failure of an Indemnitee to so notify the corporation shall not relieve the corporation of any obligation which it may have to Indemnitee pursuant to this Article 7.

(c) The corporation may, to the full extent authorized or permitted by law, advance Expenses and indemnify and hold harmless against liabilities any person not covered by subsection (a) of this Section 2, including the person's estate (an "Employee Indemnitee"), who is or was an employee or agent of the corporation, or who is or was serving at the request of the corporation as a director, officer, trustee, employee or agent of any other enterprise, or the legal representative of any such person, and who is or was a party to or threatened to be made a party to any Action by reason of the fact that such Employee Indemnitee is or was serving in any of the foregoing capacities.

### **Section 3. Non-Exclusivity of Indemnification Rights.**

The right of an Indemnitee or Employee Indemnitee to indemnification and payment or reimbursement of Expenses by the corporation under Section 2 of this Article 7 shall be in addition to, and not in lieu of, any statutory or other right of indemnification or payment, advancement or reimbursement of Expenses provided to any Indemnitee or Employee Indemnitee. No amendment of this Article 7 shall impair the rights of any person arising at any time with respect to events occurring prior to such amendment.

**Section 4. Insurance.**

The corporation may purchase and maintain insurance on its own behalf and on behalf of the one or more Indemnitees or Employee Indemnitees against any liability asserted against him or her and incurred by him or her in the capacity as a director, officer, trustee, employee or agent of this corporation or is or was serving at the request of the corporation as a director, officer, trustee, employee or agent of any other enterprise, whether or not the corporation would have the power to indemnify such person against such liability under this Article 7.

**Article 8**

**AMENDMENTS**

Except as may otherwise be required by law or by the Certificate of Incorporation, these by-laws may be amended, altered, or repealed, in whole or in part, by the affirmative vote of a majority of the Entire Board at any regular or special Board meeting. The shareholders, by a majority of the votes cast at a meeting of the shareholders called for the purpose, may adopt, alter, amend or repeal these by-laws whether made by the Board or otherwise. Amendments adopted by the shareholders pursuant to this Article 8 may not be amended or repealed by action of the Board without (i) the affirmative vote of a majority of the votes cast at a meeting of the shareholders called for the purpose, or (ii) approval by written consent of the shareholders.



May 16, 2014

John N. McMullen

Re: Employment Agreement

Dear John:

This mutually agreeable form of employment agreement (this “*Agreement*”), will be your employment agreement with Eastman Kodak Company and will be effective on May 27, 2014 (“the Effective Date”). For purposes of this Agreement, the term “*Company*” shall refer to Eastman Kodak Company.

**1. Terms Schedule**

Some of the terms of your employment are in the attached schedule (your “*Schedule*”), which is part of this Agreement.

**2. Commencement of Employment**

Your employment will begin on the Effective Date.

**3. Your Position, Performance and Other Activities**

- a) *Position.* You will be employed in the position stated in your Schedule.
  - b) *Authority, Responsibilities, and Reporting.* Your authority, responsibilities and reporting relationships will correspond to your position and will include any particular authority, responsibilities and reporting relationships that the Company’s Board of Directors (the “*Board*”) or any officer of the Company to whom you report may assign to you from time to time.
  - c) *Performance.* You will devote substantially all of your business time and attention to the Company and will use good faith efforts to discharge your responsibilities under this Agreement to the best of your ability.
  - d) *Other Activities.* During your employment and subject to the terms of the Schedule, you may (1) serve on corporate, civic or charitable boards or committees, (2) manage personal investments, or (3) engage in any other permitted activity stated in your Schedule, *so long as* these activities, whether individually or in the aggregate, do not materially interfere with your performance of your responsibilities under this Agreement.
  - e) *Incorporation of Employee’s Agreement.* The terms of Eastman Kodak Company Employee’s Agreement, attached hereto as Exhibit 1, are incorporated by reference and you agree to abide by all such terms.
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#### 4. Your Compensation

- a) *Salary.* You will receive an annual base salary (your “*Salary*”). Commencing on the Effective Date, the starting amount of your Salary will be the amount set forth in your Schedule. The Executive Compensation Committee of the Board will review your Salary at least annually. Your Salary will be paid in accordance with the Company’s normal practices for similarly situated executives.
- b) *Annual Incentive.* You will be eligible to participate in the Company’s short-term variable pay plan for its management level employees, known as Executive Compensation for Excellence and Leadership (“EXCEL”) (your “*Annual Incentive*”). Your annual target award under EXCEL will be determined in accordance with your Schedule. Any actual award in a given annual performance period will depend upon performance against corporate goals selected by management and approved by the appropriate committee of the Board and will be paid in the discretion of such committee. The terms of the EXCEL plan itself govern and control all interpretations of the plan.
- c) *Sign-On Award.* On or shortly after the Effective Date, you will be granted the sign-on award stated in your Schedule, which will be subject to the terms and conditions set forth in the applicable award notice. This award is stated on your Schedule in terms of dollar (\$) value. The actual number of restricted stock units you will be granted is calculated by dividing the dollar value of your award by the closing price of the Company’s stock on the New York Stock Exchange on the date of grant.
- d) *Long-Term Incentive Awards.* You will be eligible to participate in the Company’s Long-Term Incentive (LTI) program under the Eastman Kodak Company 2013 Omnibus Incentive Plan (the “*Omnibus Plan*”). The amount and form of any award (the “*Long-Term Equity Award*”) to be granted to you will be determined by the Company in accordance with the terms of the Omnibus Plan and your Schedule, subject to approval by the appropriate committee of the Board and at the discretion of such committee. The specific terms, conditions and restrictions on any Long-Term Equity Award will be contained in the Administrative Guide and Award Notice delivered to you within twenty (20) business days of the grant date.

#### 5. Your Benefits

- a) *Employee Benefit Plans.* During the Scheduled Term, you will be entitled to participate in each of the Company’s employee benefit and welfare plans, including plans providing retirement benefits and medical, dental, hospitalization, life and disability insurance, on a basis that is at least as favorable as that provided to similarly situated executives of the Company.
- b) *Vacation.* You will be entitled to paid annual vacation in accordance with your Schedule.
- c) *Business Expenses.* You will be reimbursed for all reasonable business expenses incurred by you in performing your responsibilities under this Agreement, subject to the terms of applicable Company reimbursement policies as in effect from time to time.
- d) *Additional Benefits.* During your employment, you will be provided any additional benefits stated in your Schedule.



## 6. New Hire Paperwork Completion and Submission

- a) *On-Boarding System.* The forms required for your employment will be available electronically in our on-boarding system. Upon acceptance of this offer, you will receive an electronic welcome letter via email from the Company. This letter contains a link to our on-boarding system which will allow you to complete your new hire paperwork electronically. Please complete all paperwork within 5 business days of receipt of the email.
- b) *Employment Preconditions.* This Agreement is subject to the following conditions and may be revoked by the Company due to your inability to satisfy any one or more of these conditions. By signing this letter, you agree and acknowledge that the Company may perform the activities contemplated below in order to verify the conditions.
1. *Drug Test.* You are required to complete a drug screen as part of your pre-employment checks before this Agreement becomes final. This will be at the Company's expense. Your employment is contingent upon a negative drug screen urinalysis test result and other pre-employment assessments. You will receive an email with instructions for your drug screening. The drug screen must be completed within 48 hours of receipt of this email.
  2. *Background Check (Past Employment, Social Security Number, Criminal, Education, Credit History, Drivers Record, etc.)* Information to be verified by the Company includes, but is not limited to, your past employment history and your social security number, a check of your education, credit history, drivers record, and criminal convictions records. Your employment is contingent upon these verifications and checks being acceptable to the Company. The Company has engaged Sterling Testing Systems of 249 West 17<sup>th</sup> Street 6<sup>th</sup> floor, New York, NY 10001 to conduct the verifications and checks. Attached is the Consent and Authorization form that authorizes the Company to conduct these verifications and checks. Please complete and return the form within forty-eight (48) hours of receipt.
  3. *Kodak Health Questionnaire.* Upon successful completion of the drug test and background check, you will receive a health questionnaire with instructions to submit to our medical department.
  4. *FORM I-9.* The Company is required by Immigration and Naturalization Service regulations and Federal Law to verify identity and authorization to work of all prospective employees. This form will be provided to you electronically through our on-boarding system. Further clearance may be required for foreign nationals under applicable Export Administration Regulations (EAR) (15 CFR, Part 730 et.seq.)and/or the International Traffic in Arms Regulations (ITAR) (22 CFR Part 120 et. seq.).

## 7. Termination of Your Employment

a) *No Reason Required.* Neither you nor the Company is under any obligation to continue your employment. In addition, you or the Company may terminate your employment at any time for any reason, or for no reason, subject to compliance with Section 7(c).

b) *Related Definitions.*

1. “*Cause*” means any of the following: (A) your continued failure, for a period of at least 30 calendar days following a written warning, to perform your duties in a manner deemed satisfactory by your supervisor, in the exercise of his or her sole discretion; (B) your failure to follow a lawful written directive from your supervisor or the Board; (C) your willful violation of any material rule, regulation, or policy that may be established from time to time for the conduct of the Company’s business; (D) your unlawful possession, use or sale of narcotics or other controlled substances, or performing job duties while illegally used controlled substances are present in your system; (E) any act or omission or commission by you in the scope of your employment (a) which results in the assessment of a civil or criminal penalty against you or the Company, or (b) which in the reasonable judgment of your supervisor could result in a material violation of any foreign or U.S. federal, state or local law or regulation having the force of law; (F) your conviction or of plea of guilt or no contest to any crime involving moral turpitude; (G) any misrepresentation of a material fact to, or concealment of a material fact from, your supervisor or any other person in the Company to whom you have a reporting relationship in any capacity; or (H) your breach of the Company’s Business Conduct Guide or the Eastman Kodak Company Employee’s Agreement.
2. “*Good Reason*” means any of the following: (A) a material diminution in your total target cash compensation, comprised of your Salary and target Annual Incentive; (B) a material diminution in your authority or responsibilities as provided in Section 3(b); (C) any material breach of this Agreement by the Company; or (D) any purported termination by the Company of your employment other than as expressly permitted by this Agreement; or (E) a Change of Control (as defined below) event followed by your involuntary termination (as determined by the Board or the appropriate committee of the Board) within two years of the Change of Control event.
3. “*Disability*” means meeting the definition of disability under the terms of the Kodak Long-Term Disability Plan and receiving benefits under such plan.
4. “*Willful*” means any act done or omitted to be done not in good faith and without reasonable belief that such action or omission was in the best interest of the Company.
5. “*Change of Control*” means the occurrence of any of the following events:
  - a) any “person” (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (“*Exchange Act*”) and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), is or becomes a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of the Company’s securities representing 50% or more of the combined voting power of the Company’s then outstanding securities eligible to vote for the election of the Board (“*Company Voting Securities*”); provided, however, that the event described in this paragraph (a) shall not be deemed to be a Change of Control by virtue of an acquisition of Company Voting Securities: (i) by the Company or any Subsidiary, (ii) by any beneficial owner of the Company’s securities as of the Effective Date, (iii) by any employee benefit plan (or related trust) sponsored or maintained by Company or any Subsidiary, (iv) by any underwriter temporarily holding securities pursuant to an offering of such securities or (v) pursuant to a Non-Qualifying Transaction (as defined in paragraph (b) of this definition);
  - b) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company’s shareholders, whether for such transaction or the issuance of securities in the transaction (a “*Business Combination*”), unless immediately following such Business Combination: (i) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the “*Surviving Entity*”), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of at least 95% of the voting power, is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (ii) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the parent), is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the parent (or, if there is no parent, the Surviving Entity) and (iii) at least a majority of the members of the board of directors of the parent (or, if there is no parent, the Surviving Entity) following the consummation of the Business Combination were Incumbent Directors at the time of the Board’s approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (i), (ii) and (iii) of this paragraph (b) shall be deemed to be a “*Non-Qualifying Transaction*”);
  - c) the consummation of a sale of all or substantially all of the Company’s assets (other than to an Affiliate); or
  - d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 50% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person (and in all cases results in beneficial ownership of more than 50% of the Company Voting Securities), a Change of Control shall then occur.

c) *Advance Notice Generally Required.*

1. To terminate your employment, either you or the Company must provide a Termination Notice to the other. A “*Termination Notice*” is a written notice that states the specific provision of this Agreement on which termination is based, including, if applicable, the specific clause of the definition of Cause or Good Reason and a reasonably detailed description of the facts that permit termination under that clause; *provided*, that the failure to include any fact in a Termination Notice that contributes to a showing of Cause or Good Reason does not preclude either party from asserting that fact in enforcing its rights under this Agreement. If you do not give a Termination Notice within 90 days after you have knowledge that an event constituting Good Reason has occurred, the event will no longer constitute Good Reason. In addition, you must give the Company 30 days to cure the first event constituting Good Reason.
2. You and the Company agree to provide 30 days’ advance Termination Notice of any termination, *unless* your employment is terminated by the Company for Cause or because of your Disability or death. If you die or become Disabled after you provide a valid Termination Notice with Good Reason or the Company provides Termination Notice without Cause, your termination will be treated as a termination with Good Reason or without Cause, effective as of the date of your Disability or death.

Following receipt of such notice, the Company may, at its sole discretion, choose to either (1) waive that notice period (thereby immediately terminating your employment) or (2) place you on paid leave, at your then-current salary for any or all of the notice period.

d) *With Good Reason or Without Cause.* If, during your employment, the Company terminates your employment without Cause or you terminate your employment for Good Reason:

1. The Company will pay you the following at the end of your employment: (A) your accrued but unpaid Salary through the last day of your employment, (B) your Salary for any accrued but unused vacation, and (C) any accrued expense reimbursements and other cash entitlements (including for accrued expense reimbursement for which supporting documentation is submitted within 30 days after termination of your employment) (together, your “*Accrued Compensation*”). In addition, the Company will timely pay you any amounts and provide you any benefits that are required, or to which you are entitled, under any plan, contract or arrangement of the Company as of the end of your employment (together, the “*Other Benefits*”).
2. The Company will pay you severance (“*Severance Payments*”) in an amount equal to your Salary, multiplied by the severance multiplier on your Schedule (“*Severance Multiplier*”).
3. Your Annual Incentive will be governed by the terms of the EXCEL plan and any applicable Administrative Guide and/or Award Notice.
4. All unvested equity awards will be governed by the terms of the Omnibus Plan and any applicable Administrative Guide and/or Award Notice.

- e) *For Cause or without Good Reason.* If the Company terminates your employment for Cause or you terminate your employment without Good Reason, the Company will pay your Accrued Compensation and your Other Benefits. Effective upon the date of termination for Cause or without Good Reason, all of the unvested portion of your remaining equity would be immediately forfeited.
- f) *For Your Disability or Death.* If your employment terminates as a result of your Disability or death, the Company will pay your Accrued Compensation, Earned Annual Incentive and will provide Continued Vesting of your Long Term Incentive Awards in accordance with the terms of the applicable awards, without regard to any continued employment condition, and your Other Benefits.
- g) *Benefits Bearing.* In no event shall any of the severance payments or benefits provided under this Section 7 be “benefits bearing.”
- h) *Clawback.* In the event you breach any of the terms in the Eastman Kodak Company Employee’s Agreement, this Agreement or the release described in Section 7(i) below, in addition to and not in lieu of any other remedies that the Company may pursue against you, no further Severance Payments will be made to you pursuant to this Section 7 and you agree to immediately repay to the Company all moneys previously paid to you pursuant to this Section 7.
- i) *Timing.* The benefits provided in this Section 7 will begin at the end of your employment, and any cash payments owed to you under this Section 7 will be paid in one lump sum 65 days following your date of termination, except for Severance Payments, which will be made consistently with the Company’s normal payroll cycles and begin as soon as administratively practicable after your separation from service subject to Section 7(j). Notwithstanding the foregoing, any Severance Payments owed to you and any continued vesting of your unvested equity awards will only be provided if, at the time of your termination, you provide a release of any and all claims you may have against the Company (other than the rights and benefits provided in Section 5 and the other rights under this Agreement that continue following your employment) in a form reasonably provided by the Company such that you have taken all action necessary for such release to become effective and irrevocable no later than 65 days following your date of termination. The Termination Allowance Plan (“TAP”) provides broad-based severance benefits to eligible Company employees. You agree that if you become eligible for severance payments under this Agreement you will not be entitled to TAP benefits. Should a court nonetheless award you TAP benefits in such circumstances, you agree that the amount of severance payments will be reduced by such award and be immediately repaid to the Company.
- j) *Section 409A.* This Agreement is intended to comply with or be exempt from the requirements of Section 409A of the Code (“*Section 409A*”) with respect to amounts, if any, subject thereto and shall be interpreted, construed and performed consistent with such intent. To the extent you would otherwise be entitled to any payment that under this Agreement, or any plan or arrangement of the Company or its affiliates, constitutes “deferred compensation” subject to Section 409A, and that if paid during the six months beginning on the date of termination of your employment would be subject to the Section 409A additional tax because you are a “specified employee” (within the meaning of Section 409A and as determined by the Company), the payment, together with any earnings on it, will be paid to you on the earlier of the six-month anniversary of your date of termination or your death. Similarly, to the extent you would otherwise be entitled to any benefit (other than a payment) during the six months beginning on termination of your employment that would be subject to the Section 409A additional tax, the benefit will be delayed and will begin being provided (together, if applicable, with an adjustment to compensate you for the delay) on the earlier of the six-month anniversary of your date of termination or your death or change in control (within the meaning of Section 409A). In addition, any payment or benefit due upon a termination of your employment that represents “deferred compensation” subject to Section 409A shall be paid or provided to you only upon a “separation from service” as defined in Treas. Reg. § 1.409A-1(h). Each payment under this Agreement shall be deemed to be a separate payment for purposes of Section 409A, amounts payable under Sections 7(d)(1), 7(d)(2), 7(d)(3) and 7(d)(4) of this Agreement shall be deemed not to be “deferred compensation” subject to Section 409A to the extent provided in the exceptions in Treas. Reg. Sections 1.409A-1(b)(4) (“short-term deferrals”) and (b)(9) (“separation pay plans,” including the exception under subparagraph (iii)) and other applicable provisions of Treas. Reg. Section 1.409A-1 through A-6.

Notwithstanding anything to the contrary in this Agreement or elsewhere, any payment or benefit under this Agreement or otherwise that is exempt from Section 409A pursuant to Treas. Reg. Section 1.409A-1(b)(9)(v)(A) or (C) shall be paid or provided to you only to the extent that the expenses are not incurred, or the benefits are not provided, beyond the last day of your second taxable year following your taxable year in which the “separation from service” occurs; and *provided further* that such expenses are reimbursed no later than the last day of your third taxable year following the taxable year in which your “separation from service” occurs. Except as otherwise expressly provided herein, to the extent any expense reimbursement or the provision of any in-kind benefit under this Agreement is determined to be subject to Section 409A, the amount of any such expenses eligible for reimbursement, or the provision of any in-kind benefit, in one calendar year shall not affect the expenses eligible for reimbursement in any other taxable year (except for any life-time or other aggregate limitation applicable to medical expenses), in no event shall any expenses be reimbursed after the last day of the calendar year following the calendar year in which you incurred such expenses, and in no event shall any right to reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit.

## 8. Confidential Information

You acknowledge and agree that confidential information, including, without limitation, Company intellectual property, customer lists and other proprietary business information, obtained by you while employed by the Company or any of its subsidiaries concerning the business affairs of the Company or any subsidiary of the Company are the property of the Company or such subsidiary (hereinafter, “*Confidential Information*”). Consequently, you agree that, except to the extent required by applicable law, statute, ordinance, rule, regulation or orders of courts or regulatory authorities, you shall not at any time (whether during or after your employment) disclose to any unauthorized person or use for your own account any Confidential Information without the prior written consent of the Company, unless and to the extent that the aforementioned matters are or become generally known to and available for use by the public other than as a result of your acts or omissions to act or as required by law. You shall deliver to the Company at the termination of your employment, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) containing or constituting Confidential Information which you may then possess or have under your control. In the event of any inconsistency between the terms of this Section 8 and your Eastman Kodak Company Employee’s Agreement, the terms of this Section 8 shall apply.

## 9. On-going Restrictions on Your Activities

### a) *Related Definitions.*

1. “*Competitive Enterprise*” means any business enterprise that derives more than 20% of its revenue from any activity that competes anywhere with any activity that the Company is then engaged in and which activity generates more than 10% of the Company’s revenue.
2. “*Client*” means any client or prospective client of the Company to whom you provided services, or for whom you transacted business, or whose identity became known to you in connection with your relationship with or employment by the Company.
3. “*Solicit*” means any direct or indirect communication of any kind, regardless of who initiates it, that in any way invites, advises, encourages or requests any person to take or refrain from taking any action.
4. For purposes of this Section 9, “*Company*” means Eastman Kodak Company and its subsidiaries.

### b) *Your Importance to the Company and the Effect of this Section 9.* You acknowledge that:

1. In the course of your involvement in the Company’s activities, you will have access to Confidential Information and the Company’s client base and will profit from the goodwill associated with the Company. On the other hand, in view of your access to Confidential Information and your importance to the Company, if you compete with the Company for some time after your employment, the Company will likely suffer significant harm. In return for the benefits you will receive from the Company and to induce the Company to enter into this Agreement, and in light of the potential harm you could cause the Company, you agree to the provisions of this Section 9. The Company would not have entered into this Agreement if you did not agree to this Section 9.
2. This Section 9 may limit your ability to earn a livelihood in a Competitive Enterprise and your relationship with Clients. You acknowledge, however, that complying with this Section 9 will not result in severe economic hardship for you or your family.

### c) *Transition Assistance.* During the 90 days after a Termination Notice has been given, you will take all actions the Company may reasonably request to maintain for the Company the business, goodwill and business relationships with any Clients.

### d) *Non-Competition.* During your employment and for a period of eighteen (18) months following the end of your employment you agree that you will not directly or indirectly engage in (whether as an employee, consultant, agent, proprietor, principal, partner, stockholder, corporate officer, director or otherwise), nor have any material ownership interest in or participate in the financing, operation, management or control of a Competitive Enterprise.

- e) *Non-Solicitation of Clients.* Until the end of the 18 month period following the end of your employment, you will not attempt to Solicit any Client to transact business with a Competitive Enterprise or to reduce or refrain from doing any business with the Company or interfere with or damage any relationship between the Company and a Client.
- f) *Non-Solicitation of Company Employees.* Until the end of the 18 month period following the end of your employment, you will not attempt to Solicit anyone who is then an employee or consultant of the Company (or who was an employee or consultant of the Company within the prior six months) to resign from or cease to provide services to the Company or to apply for or accept employment with any Competitive Enterprise.
- g) *Notice to New Employers.* Before you accept employment with any other person or entity while this Section 9 is in effect, you will provide the prospective employer with written notice of the provisions of this Section 9 and will deliver a copy of the notice to the Company.
- h) *Terms of this Section Control.* In the event of any inconsistency between the terms of this Section 9 and your Eastman Kodak Company Employee's Agreement, the terms of this Section 9 shall control.

#### **10. Effect on Other Agreements**

- a) *Effect on Other Agreements; Entire Agreement.* This Agreement is the entire agreement between you and the Company with respect to the relationship contemplated by this Agreement and supersedes any earlier agreement, written or oral, with respect to the subject matter of this Agreement. In entering into this Agreement, no party has relied on or made any representation, warranty, inducement, promise or understanding that is not in this Agreement.

#### **11. Successors**

- a) *Assignment by You.* You may not assign this Agreement without the Company's consent. Also, except as required by law, your right to receive payments or benefits under this Agreement may not be subject to execution, attachment, levy or similar process. Any attempt to effect any of the preceding in violation of this Section 11, whether voluntary or involuntary, will be void.
- b) *Assumption by any Surviving Company.* Before the effectiveness of any merger, consolidation, statutory share exchange or similar transaction (including an exchange offer combined with a merger or consolidation) involving the Company (a "Reorganization") or any sale, lease or other disposition (including by way of a series of transactions or by way of merger, consolidation, stock sale or similar transaction involving one or more subsidiaries) of all or substantially all of the Company's consolidated assets (a "Sale"), the Company will cause (1) the Surviving Company to unconditionally assume this Agreement in writing and (2) a copy of the assumption to be provided to you. After the Reorganization or Sale, the Surviving Company will be treated for all purposes as the Company under this Agreement. The "Surviving Company" means (A) in a Reorganization, the entity resulting from the Reorganization or (B) in a Sale, the entity that has acquired all or substantially all of the assets of the Company.

## 12. General Provisions

- a) *Administrator.* All compensation and benefits provided under this Agreement will be administered by the Chief Administrative Officer for the Company (the “Administrator”). The Administrator will have total and exclusive responsibility to control, operate, manage and administer such compensation and benefits in accordance with their terms and all the authority that may be necessary or helpful to enable him to discharge his responsibilities with respect to them. Without limiting the generality of the preceding sentence, the Administrator will have the exclusive right to: interpret this Agreement, decide all questions concerning eligibility for and the amount of compensation and benefits payable, construe any ambiguous provision, correct any default, supply any omission, reconcile any inconsistency, and decide all questions arising in the administration, interpretation and application of this Agreement. The Administrator will have full discretionary authority in all matters related to the discharge of his responsibilities and the exercise of his authority, including, without limitation, his construction of the terms of this Agreement and his determination of eligibility for compensation and benefits. It is the intent of the parties hereto, that the decisions of the Administrator and his actions with respect to this Agreement will be final and binding upon all persons having or claiming to have any right or interest in or under this Agreement and that no such decision or actions shall be modified upon judicial review unless such decision or action is proven to be arbitrary or capricious.
- b) *Withholding.* You and the Company will treat all payments to you under this Agreement as compensation for services. Accordingly, the Company may withhold from any payment any taxes that are required to be withheld under any law, rule or regulation
- c) *Confidentiality.* You agree to keep the existence and terms of this Agreement confidential except that you may review it with your financial advisor, attorney, or spouse/partner and with the Administrator.
- d) *Severability.* If any provision of this Agreement is found by any court of competent jurisdiction (or legally empowered agency) to be illegal, invalid or unenforceable for any reason, then (1) the provision will be amended automatically to the minimum extent necessary to cure the illegality or invalidity and permit enforcement and (2) the remainder of this Agreement will not be affected. In particular, if any provision of Section 8 is so found to violate law or be unenforceable because it applies for longer than a maximum permitted period or to greater than a maximum permitted area, it will be automatically amended to apply for the maximum permitted period and maximum permitted area.
- e) *No Set-off or Mitigation.* Your and the Company’s respective obligations under this Agreement will not be affected by any set-off, counterclaim, recoupment or other right you or any member of the Company may have against each other or anyone else (except as this Agreement specifically states). You do not need to seek other employment or take any other action to mitigate any amounts owed to you under this Agreement, and those amounts will not be reduced if you do obtain other employment.

f) *Notices.* All notices, requests, demands and other communications under this Agreement must be in writing and will be deemed given (1) on the business day sent, when delivered by hand or facsimile transmission (with confirmation) during normal business hours, (2) on the business day after the business day sent, if delivered by a nationally recognized overnight courier or (3) on the third business day after the business day sent if delivered by registered or certified mail, return receipt requested, in each case to the following address or number (or to such other addresses or numbers as may be specified by notice that conforms to this Section 12(f)):

If to you, to the address stated on the first page of this Agreement.

If to the Company or any other member of the Company, to:  
Eastman Kodak Company  
343 State Street  
Rochester, New York 14650  
Attention: General Counsel

g) *Amendments and Waivers.* Any provision of this Agreement may be amended or waived but only if the amendment or waiver is in writing and signed, in the case of an amendment, by you and the Company or, in the case of a waiver, by the party that would have benefited from the provision waived. Except as this Agreement otherwise provides, no failure or delay by you or the Company to exercise any right or remedy under this Agreement will operate as a waiver, and no partial exercise of any right or remedy will preclude any further exercise.

h) *Jurisdiction; Choice of Forum; Costs.* You and the Company irrevocably submit to the exclusive jurisdiction of any state or federal court located in the County of New York over any controversy or claim arising out of or relating to or concerning this Agreement or any aspect of your employment with the Company (together, an “*Employment Matter*”). Both you and the Company (1) acknowledge that the forum stated in this Section 11(h) has a reasonable relation to this Agreement and to the relationship between you and the Company and that the submission to the forum will apply even if the forum chooses to apply non-forum law, (2) waive, to the extent permitted by law, any objection to personal jurisdiction or to the laying of venue of any action or proceeding covered by this Section 12(h) in the forum stated in this Section, (3) agree not to commence any such action or proceeding in any forum other than the forum stated in this Section 12(h) and (4) agree that, to the extent permitted by law, a final and non-appealable judgment in any such action or proceeding in any such court will be conclusive and binding on you and the Company. However, nothing in this Agreement precludes you or the Company from bringing any action or proceeding in any court for the purpose of enforcing the provisions of this Section 12(h). To the extent permitted by law, the Company will pay or reimburse any reasonable expenses, including reasonable attorney’s fees, you incur as a result of any *Employment Matter*.

i) ***Governing Law.* This Agreement will be governed by and construed in accordance with the law of the State of New York applicable to contracts made and to be performed entirely within that State.**

j) *Counterparts.* This Agreement may be executed in counterparts, each of which will constitute an original and all of which, when taken together, will constitute one agreement.



IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

**EASTMAN KODAK COMPANY**

By:

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Name Jeffrey J. Clarke  
Title Chief Executive Officer

**EXECUTIVE**

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John N. McMullen

## Eastman Kodak Company Employee's Agreement

**EASTMAN KODAK COMPANY  
EMPLOYEE'S AGREEMENT****PREAMBLE**

Eastman Kodak Company and its affiliates and subsidiaries (hereinafter collectively called "Kodak") operate in very competitive environments around the world. As part of your employment, you may from time to time have access to confidential and proprietary company information. This Employee's Agreement governs certain understandings between Kodak and you regarding your work for Kodak, its confidential and proprietary information, and your responsibilities to Kodak including, but not limited to, nondisclosure of Kodak's confidential and proprietary information (as defined in paragraph 1 below), assignment of rights, improper competition (as applicable), and nonsolicitation.

**BACKGROUND**

I understand that Kodak is engaged in the research, development, manufacture, use, marketing and sale of and services related to equipment, materials (including, but not limited to, photographic and other imaging media), software, firmware, components, web applications, multimedia data including, but not limited to, audio information, hardcopy information, digital information (including but not limited to metadata), chemicals, and systems including any of the foregoing (collectively, "Kodak Business"). I also understand that, in connection with the Kodak Business, I will be exposed to and may generate information including, but not limited to, technical, marketing, accounting, cost, sales, medical, personnel data, customer lists, vendor lists, production procedures, administrative and service information (hereinafter collectively "Kodak Proprietary Information"). I further understand that Kodak requires its employees to assign to it all right, title and interest in and to all worldwide inventions, discoveries, improvements, patents, trade secrets, trademarks, mask works, any and all other copyrightable subject matter, and any application for any of the foregoing (hereinafter separately and collectively called "Rights") within or arising out of any field of employment in which they work during their employment by Kodak and for a period of time after termination of employment from Kodak as described more fully below, and that this Agreement is essential for the full protection of the Kodak Business.

Therefore, in consideration of my employment by Kodak and of certain other benefits to be received by me in connection with such employment, it is understood and agreed as follows:

**1. Nondisclosure**

During my employment by Kodak, and thereafter, I will not disclose to any person or entity or make use of any Kodak Proprietary Information, trade secret, or other information of a confidential nature regarding the Kodak Business or the commercial, financial, technical or business affairs of Kodak, including such trade secret, proprietary or confidential information of any customer or other entity to which Kodak owes an obligation not to disclose such information, which I acquire during my employment by Kodak, including but not limited to records kept in the ordinary course of business (hereinafter collectively called "Kodak Confidential Information"), except as such disclosure or use may be required in connection with my work as an employee of Kodak. I understand that this restriction prohibits disclosure to Kodak affiliates and subsidiaries in which Kodak owns less than 80% of the stock, unless I receive written authorization for specific disclosures from my management.

**2. Assignment of Rights**

- 2.1 I hereby sell, assign and transfer to Kodak all of my right, title and interest in and to all Rights that, during my employment by Kodak and within two (2) years following termination of my employment from Kodak, are made or conceived by me, alone or with others, that (i) are within or arise out of any general field of the Kodak Business in which I have been employed or have worked during my employment by Kodak; or (ii) arise out of any work I perform or information I received regarding the Kodak Business which I received while employed by Kodak; or (iii) arise from work that Kodak authorizes me to perform for or on behalf of any person or entity affiliated with Kodak.
- 2.2 While employed in California, no employee will be required to make an assignment of any invention to the extent prohibited by California Labor Code §2870(a) (a copy of which will be made available to any employee upon request).
- 2.3 I will fully disclose to Kodak as promptly as available all information known or possessed by me concerning the Rights referred to in the preceding section 2.1, and upon request by Kodak and without any further remuneration in any form to me by Kodak, but at the expense of Kodak, execute all applications for patents and for copyright registrations, assignments thereof and other instruments and do all things which Kodak deems necessary to vest and maintain in it the entire right, title and interest in and to all such Rights.

**3. Improper Competition**

- 3.1 The restrictions contained in this section 3 will apply during my employment by Kodak and continue after the termination of my employment for any reason (whether voluntary or involuntary or with or without cause) for a period equal to the total number of months I was employed by Kodak, whether continuously or not, but not for fewer than six (6) months nor more than eighteen (18) months after such termination (the "Post Employment Period").
- 3.2 During the period described in section 3.1 following termination of my employment by Kodak, I will, prior to accepting employment with a Competing Business (as defined in section 3.3), inform that Competing Business of the existence of this Agreement and provide a copy to that Competing Business.
- 3.3 While employed by Kodak and during the Post-Employment Period, I will not work, be employed by, consult, advise, assist or engage in any business or activity that: (a) competes with any area of the Kodak Business in or with which I worked at Kodak (a "Competing Business") during the two (2) years immediately preceding termination of my Kodak employment; and (b) involves subject matter(s) about which I gained Kodak Confidential Information during the two (2) years immediately preceding termination of my Kodak employment. Prior to accepting employment, working, consulting, advising or assisting in or with any Competing Business, I agree to: (a) provide such Competing Business with a copy of this Agreement; (b) advise my Kodak supervisor or an appropriate Kodak Human Resources representative of my intent to accept such position; and (c) at Kodak's request, to provide information and/or facilitate Kodak's communication with such Competing Business concerning the nature, scope and responsibilities of such position.
- 3.4 During the Post-Employment Period, the restrictions of section 3.3 will apply only to my work or activities within the relevant geographic area(s) or

with the accounts, as defined in this section.

3.4.1 If I was employed by Kodak in a sales or service job immediately prior to the termination of my employment, and if my responsibilities were confined to specific territories, accounts, or regions, then the restrictions will apply to: (a) any and all sales or service territories, or regions in which I worked within the two (2) years prior to termination of my employment and, (b) the then existing accounts and prospective accounts of Kodak with which I worked within the two (2) years immediately preceding termination of my employment with Kodak.

3.4.2 If, immediately prior to the termination of my Kodak employment: (a) I was employed by Kodak in a sales or service job and my responsibilities were not confined to specific territories, accounts or regions, or (b) if I was employed by Kodak in any other capacity, then the relevant geographic area(s) will consist of the United States and any other country to which my responsibilities extended, unless a narrower geographic area would be sufficient to protect from disclosure the Kodak Confidential Information of which I have knowledge.

3.4.3 I understand and agree that the foregoing geographic restrictions are necessary in light of the international scope of the Kodak Business and the business of Kodak's competitors, and that the disclosure or use anywhere of Kodak Confidential Information to or for the benefit of a Competing Business would irreparably harm Kodak.

3.4.4 If during the Post-Employment Period, this Agreement prohibits me from accepting an offer of full-time employment consistent with my skills, abilities, and education solely because of the provisions of this section 3, and if I provide to Kodak proof of such offer and rejection, the provisions of this section 3 shall thereafter continue to bind me only as long as Kodak pays me, for each month in which I am unable to secure a position consistent with my skills, abilities, and education, an amount equal to 1/12th of my annual total target compensation at the time of termination (exclusive of employee benefits, non-recurring bonuses, vacation pay and/or other special compensation), less any severance, separation or termination benefits or the like that I am entitled to receive from Kodak for the same pay period, and less any compensation I receive during the same period in the form of unemployment insurance or in exchange for any employment, consulting or other work I have undertaken. Any such payments will also be less all amounts that Kodak is required by law to withhold. Notwithstanding anything in this Agreement to the contrary, I understand that if Kodak declines or ceases to make one or more payments to me due to my failure to comply with the restrictions and obligations I have agreed to under the terms of this Agreement, or for any of the reasons enumerated in Section 3.4.6 below, I will not be excused from, and will continue to be subject to, all of the restrictions and obligations set forth in this section 3.

3.4.5 In return for any payments made by Kodak under section 3.4.4, I agree to make conscientious, aggressive and continuing efforts to find other employment or income consistent with my skills, abilities and education but not prohibited by this section 3. Within seven (7) days of Kodak's request, I will provide documentation satisfactory to Kodak of my efforts to obtain employment or income, all employment, contracting, or consulting offers I have received during the Post-Employment Period, the amount of any income received from employment (including self-employment), contracting, consulting, or any other work performed by me, and the identity of the employer offering employment, or other entity requesting contracting or consulting services or other work, and any other information or documents reasonably necessary for Kodak to verify my income and employment status.

3.4.6 Kodak, at its option and sole discretion, may decline to make post-employment compensation payments:

- (1) for any month during which I, in the reasonable determination of Kodak, have not conscientiously sought employment, or
- (2) for any month during which I have failed to provide documentation requested by Kodak, as provided for above, or
- (3) if I breach this Agreement or any other post-employment obligations I may owe Kodak; or
- (4) if I reject an offer of employment that Kodak does not deem to be in violation of section 3.3 above; or
- (5) by giving me written permission to accept available employment or by giving me a written release from some or all of the obligations of section 3 of this Agreement (in which case, the terms of such release shall govern my obligations for the remainder of the Post-Employment Period); or
- (6) if I am terminated from Kodak or any subsequent employment, contracting, or consulting engagement "for cause," which as defined herein includes, but is not limited to, the following:
  - neglect of duties, failure to follow policies or supervisor's directives, or insubordination;
  - dishonesty, deception, fraud, or breach of trust or loyalty in connection with the affairs of an employer;
  - conviction of any felony, gross misdemeanor, or misdemeanor, other than a minor traffic offense;
  - any act or omission in the scope of employment that places an employer in violation of any applicable law or regulation; or
  - breach of any of the material terms or conditions contained in this Agreement.

3.5 I understand that this section 3 will not be effective at any time during which I am employed by Kodak in the State of California.

#### **4. Nonsolicitation**

During my Kodak employment and for a period of one (1) year after termination of my employment for any reason (whether voluntarily or involuntarily or with or without cause), I will not, directly or indirectly, either for myself or for the benefit of any other person or entity: (i) induce or attempt to induce any employee of Kodak to leave the employ of Kodak, (ii) in any way interfere with the relationships between Kodak and any employee of Kodak, (iii) employ or otherwise engage as an employee, independent contractor or otherwise, any person who has been an employee of Kodak during the six months immediately preceding such employment or (iv) solicit, entice, call upon or in any way for the purpose of diverting or taking away or attempting to divert or take away any of Kodak's customers and suppliers to do business with a Competing Business.

#### **5. Return of Property**

I agree that, upon termination of my employment for any reason (whether voluntary or involuntary or with or without cause), I will immediately return to Kodak, (i) all Kodak Confidential Information in any form (including without limitation printed, handwritten, and electronically-stored materials or information), together with all copies, thereof, within my possession, custody or control and; (ii) all other Kodak property in my possession, custody or control, including, but not limited to, office keys, identification badges or passes, Kodak credit cards, automobiles, computer equipment and software ("Kodak Property"). Under no circumstances will I deliver or give such Kodak Confidential Information or Kodak Property to any person or entity without Kodak management's advance written permission and, upon Kodak's request, I will verify that I have not done so.

#### **6. At-Will Employment**

I understand that, regardless of any statement made to me or contained in any handbook, policy statement, or other document, my employment will be "at-will". That is, I will be free to terminate my employment at any time, for any reason, and Kodak is free to do the same. No other agreement relating to this issue will be effective unless it is contained in a written agreement which: (1) mentions me by name; (2) references this Agreement by name and date; (3) specifically acknowledges that it is intended to amend this Agreement; and (4) is signed by a Kodak corporate officer and me.

#### **7. Business Conduct**

I understand that Kodak is an ethical company and that I am required to adhere to Kodak's policies and procedures regarding ethical business practices,

including but not limited to, Kodak's conflict of interest policy and policies concerning the protection of Kodak Confidential Information. I understand that my failure to do so constitutes a breach of this Agreement.

**8. Miscellaneous**

8.1 I agree that Kodak has provided me with valuable consideration for accepting the terms and conditions set forth in this Agreement, including those set forth in section 3. Among other things, that consideration includes my employment and/or continued employment and certain benefits to be received by me in connection with such employment, some of which may be conditioned upon a validly executed Employee's Agreement.

8.2 This Agreement replaces any and all previous agreements relating to the same or similar matters that I may have entered into with Kodak with respect to my present or any future period of employment by Kodak. Further, the terms of this Agreement shall inure to the benefit of the successors and assigns of Kodak and shall be binding upon my heirs, assigns, administrators and representatives. No oral agreement, statement or representation shall be effective to alter the terms of this Agreement.

8.3 I understand and agree that a breach of the provisions of this Agreement will cause Kodak irreparable injury that may not be compensable by receipt of money damages. I, therefore, expressly agree that Kodak shall be entitled, in addition to any other remedies legally available, to injunctive and/or other equitable relief, including but not limited to temporary, preliminary and/or permanent injunctive relief, to prevent or remedy a breach of this Agreement, or any part hereof, and to payment of reasonable attorneys fees it incurs in enforcing this Agreement.

8.4 If any one or more of the provisions of this Agreement shall be found to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. If any one or more of the provisions of this Agreement is for any reason held unacceptably broad, it shall be construed or rewritten (blue-lined) so as to be enforceable to the extent of the greatest protection to Kodak under existing law.

8.5 All titles or headings in this agreement are for convenience only and shall not affect the meaning of any provision herein.

8.6 THIS AGREEMENT IS ENTERED INTO IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO PRINCIPALS OF CONFLICT OF LAWS. I UNDERSTAND AND AGREE THAT ANY ACTION OR PROCEEDING UNDER, IN CONNECTION WITH OR RELATING TO, THIS AGREEMENT SHALL BE BROUGHT IN AND ADJUDICATED BY THE UNITED STATES DISTRICT COURT, WESTERN DISTRICT OF NEW YORK IN ROCHESTER, NEW YORK, UNLESS THERE IS NO BASIS FOR FEDERAL JURISDICTION, IN WHICH CASE SUCH ACTION OR PROCEEDING SHALL BE BROUGHT IN AND ADJUDICATED BY THE STATE OF NEW YORK, SUPREME COURT, COUNTY OF MONROE.

Dated \_\_\_\_\_, 201\_\_

\_\_\_\_\_  
Signature of Employee

\_\_\_\_\_  
Global I.D.

\_\_\_\_\_  
Employee Name (Print or Type)

\_\_\_\_\_  
Address

**JOHN McMULLEN**  
**EMPLOYMENT AGREEMENT EFFECTIVE MAY 27, 2014**  
**TERMS SCHEDULE**

|  |   |
|--|---|
| <i>Position</i>  | Chief Financial Officer and Executive Vice President, Eastman Kodak Company   |
| <i>Base Salary</i>   | <b>\$600,000</b>  |
| <i>Annual Cash Performance Incentive under Company's Executive Compensation for Excellence and Leadership (EXCEL) Plan<sup>1</sup></i> | The target level for your Annual Incentive will be 75% of your Base Salary.<br><br>The maximum payout under the EXCEL Plan is 200%.<br><br>Total Target Cash Compensation is <b>\$1,050,000</b> .   |
| <i>Initial Sign-On Grant</i>   | <b>\$1,000,000</b> in Restricted Stock Units (RSUs), granted on the Effective Date of your agreement with vesting over a three-year period (33.3% vests each year).   |
| <i>Long-Term Incentive Compensation</i>  | Target award for annual equity grant: <b>\$1,000,000<sup>2</sup></b><br><br>Total Direct Compensation is <b>\$2,050,500</b> (Total Target Cash plus Annual Equity Awards).  |
| <i>Housing Allowance and Travel Expenses</i>   | <b>\$5,000 / month</b> (net of taxes)<br><br>Housing and travel allowance provided to cover your housing and travel expenses incurred between San Francisco and Rochester.  |
| <i>Severance Multiplier</i>  | <b>1X</b> Base Salary   |
| <i>Change of Control</i>   | In the case of a Change of Control event followed by an involuntary termination <sup>3</sup> within two years following the Change of Control, severance would be paid after the 409(a) waiting period.   |
| <i>Additional Benefits</i>   | Up to four weeks vacation.  |
| <i>Standard Benefits</i>   | Retirement – Kodak Retirement Income Plan (KRIP) Cash Balance Plan (see Plan Document for specifics) <ul style="list-style-type: none"> <li>· 4% Defined-Benefit Pension Contribution</li> <li>· 401(k) Program with 3% Company Match</li> </ul> Flexible Benefits Program: <ul style="list-style-type: none"> <li>· Medical and Dental</li> <li>· Flexible Spending Accounts</li> <li>· Life Insurance and Dependent Life Insurance</li> <li>· Accidental Death and Dismemberment Insurance</li> <li>· Long-Term Disability</li> <li>· Vacation Buy</li> </ul> |

<sup>1</sup>EXCEL Plan performance metrics are determined annually by the Executive Compensation Committee

<sup>2</sup>Equity vesting is over a three-year period with the form of equity to be determined by the Executive Compensation Committee (may be in time-based Restricted Stock Units, performance-based Restricted Stock Units or Stock Options)

<sup>3</sup>Leaving Reasons and associated eligibility are reviewed and approved by the Executive Compensation Committee

