

EASTMAN KODAK CO

FORM 10-K (Annual Report)

Filed 03/14/97 for the Period Ending 12/31/96

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| Sector | Services |
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

X Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (No Fee Required)

For the year ended December 31, 1996 or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (No Fee Required)

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: 716-724-4000

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|--------------------------------|---|
| Common Stock, \$2.50 Par Value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

At December 31, 1996, 331,841,872 shares of Common Stock of the registrant were outstanding. The aggregate market value (based upon the closing price of these shares on the New York Stock Exchange at January 16, 1997) of the voting stock held by nonaffiliates was approximately \$28.4 billion.

PART I

ITEM 1. BUSINESS

Eastman Kodak Company (the Company or Kodak) is engaged primarily in developing, manufacturing and marketing consumer and commercial imaging products. Kodak's sales, earnings and identifiable assets by industry segment for the past three years are shown in Segment Information on page 35.

CONSUMER IMAGING SEGMENT

Sales of the Consumer Imaging segment, including intersegment sales, for the past three years were:

(in millions) 1996 1995 1994

\$7,659 \$6,830 \$5,919

The products of the Consumer Imaging segment are used for capturing, recording or displaying a consumer originated image. For example, traditional amateur photography requires, at a minimum, a camera, film and photofinishing. Photofinishing requires equipment and supplies, including chemicals and paper for prints.

Kodak manufactures and markets various components of imaging systems. For amateur photography, Kodak supplies films, photographic papers, processing services, photographic chemicals, cameras and projectors. Recent imaging products developed by Kodak include new generations of films, cameras (including digital), photographic papers and one-time-use cameras. In early 1996, the Company announced its line-up of Advanced Photo System products encompassing new cameras, films and photofinishing. The Advanced Photo System is a new amateur film format which delivers a variety of new consumer features such as drop-in loading, multiple print size options, index prints, and negatives returned in the cartridge.

Marketing and Competition. Kodak's consumer imaging products and services are distributed worldwide through a variety of channels. Individual products are often used in substantial quantities in more than one market. Most sales of the Consumer Imaging segment are made through retailers. Independent retail outlets selling Kodak amateur products total many thousands. In a few areas abroad, Kodak products are marketed by independent national distributors.

Kodak's advertising programs actively promote its products and services in its various markets, and its principal trademarks, trade dress and corporate symbol are widely used and recognized.

Kodak's consumer imaging products and services compete with similar products and services of others. Competition in traditional imaging markets is strong throughout the world. Many large and small companies offer similar products and services that compete with Kodak's business. Kodak's products are continually improved to meet the changing needs and preferences of its customers.

Raw Materials. The raw materials used by the Consumer Imaging segment are many and varied and generally available. Silver is one of the essential materials in photographic film and paper manufacturing. Digital electronics are becoming more prevalent in product offerings.

COMMERCIAL IMAGING SEGMENT

Sales of the Commercial Imaging segment for the past three years were:

(in millions) 1996 1995 1994

\$8,340 \$8,184 \$7,646

The Commercial Imaging segment consists of businesses that serve the imaging and information needs of commercial customers. Products in this segment are used to capture, store, process and display images and information in a variety of forms.

Kodak products for the Commercial Imaging segment include films, photographic papers, photographic plates, chemicals, processing equipment and audiovisual equipment, as well as copiers, graphic arts films, microfilm products, applications software, printers and other business equipment, supplies and service agreements to support these products. These products serve professional photofinishers, professional photographers, customers in the health care industry, and customers in motion picture, television, commercial printing and publishing, office automation, banking, insurance and government markets. Recently introduced commercial imaging products include digital and applied imaging products which capture, store and print images in an electronic format.

On December 31, 1996, the Company and Danka Business Systems PLC (Danka) entered into an agreement for Danka to acquire the sales, marketing and equipment service operations of the Company's copier business as well as the Company's facilities management business known as Kodak Imaging Services. In connection with this agreement, the Company will supply high-volume copiers and printers to Danka.

Marketing and Competition. Kodak's commercial imaging products and services are distributed through a variety of channels. The Company also sells and leases business equipment directly to users.

Kodak's commercial imaging products and services compete with similar products and services of other small and large companies. Strong competition exists throughout the world in these markets. Kodak's products are continually improved to meet the changing needs and preferences of its customers.

Raw Materials. The raw materials used by the Commercial Imaging segment are many and varied and generally available. Silver is one of the essential materials in photographic film and paper manufacturing. Electronic components represent a significant portion of the cost of the materials used in the manufacture of business equipment.

DISCONTINUED OPERATIONS - HEALTH BUSINESSES

In 1994, the Company divested the following non-imaging health businesses for aggregate gross proceeds of \$7,858 million: the pharmaceutical and consumer health businesses of Sterling Winthrop Inc., the household products and do-it-yourself products businesses of L&F Products and the Clinical Diagnostics Division. The results of these businesses were reported as discontinued operations in 1994. Sales of products of these discontinued health businesses for the year ended December 31, 1994 were \$3,175 million.

In 1996, the Company substantially completed negotiations with buyers and filed tax returns associated with the sale of the non-imaging health businesses. As a result of these actions and a further assessment of the liabilities recorded at the time of the sale, the Company recognized a \$277 million after-tax benefit in discontinued operations in 1996.

RESEARCH AND DEVELOPMENT

Through the years, Kodak has engaged in extensive and productive efforts in research and development. In 1996, \$1,028 million (1995 - \$935 million; 1994 - \$859 million) was expended for research and development for continuing operations. Research and development groups are located principally in the United States in Rochester, New York. Outside the U.S., research and development groups are located principally in Australia, England, France, Japan and Germany. These groups, in close cooperation with manufacturing units and marketing organizations, are constantly developing new products and applications to serve both existing and new markets.

It has been Kodak's general practice to protect its investment in research and development and its freedom to use its inventions by obtaining patents where feasible. The ownership of these patents contributes to Kodak's ability to use its inventions but at the same time is accompanied by patent licensing. While in the aggregate Kodak's patents are considered to be of material importance in the operation of its business, the Company does not consider that the patents relating to any single product or process are of material significance when judged from the standpoint of its total business.

ENVIRONMENTAL PROTECTION

Kodak is subject to various laws and governmental regulations concerning environmental matters. Some of the U.S. federal environmental legislation having an impact on Kodak includes the Toxic Substances Control Act, the Resource Conservation and Recovery Act (RCRA), the Clean Air Act, and the Comprehensive Environmental Response, Compensation and Liability Act (the Superfund law).

It is the policy of Eastman Kodak Company to carry out its business activities in a manner consistent with sound health, safety and environmental management practices, and to comply with applicable health, safety and environmental laws and regulations. Kodak continues to engage in a program for environmental protection and control.

Environmental protection is further discussed in Item 3, Legal Proceedings, on page 5, and in the Notes to Financial Statements. Refer to Note 1, Significant Accounting Policies, Environmental Costs, on page 19, and Note 10, Commitments and Contingencies, on page 23.

EMPLOYMENT

At the end of 1996, the Company employed 94,800 people, of whom 53,400 were employed in the U.S.

Financial information by geographic areas for the past three years is shown in Segment Information on page 34.

ITEM 2. PROPERTIES

The Consumer Imaging segment of Kodak's business in the United States is centered in Rochester, New York, where photographic goods are manufactured. Another manufacturing facility near Windsor, Colorado, also produces sensitized photographic goods. Regional distribution centers are located in various places within the United States.

Consumer imaging manufacturing facilities outside the United States are located in Australia, Brazil, Canada, France, Mexico and England. Kodak maintains marketing and distribution facilities in many parts of the world. The Company also owns processing laboratories in numerous locations worldwide.

Products in the Commercial Imaging segment are manufactured primarily in Rochester, New York and Windsor, Colorado. Manufacturing facilities outside the United States are located in Germany, Mexico, England and Ireland.

The Company owns or leases administrative, manufacturing, marketing and processing facilities in various parts of the world. The leases are for various periods and are generally renewable.

ITEM 3. LEGAL PROCEEDINGS

In April 1987, the Company was sued in federal district court in San Francisco by a number of independent service organizations who alleged violations of Sections 1 and 2 of the Sherman Act and of various state statutes in the sale by the Company of repair parts for its copier and micrographics equipment (Image Technical Service, Inc. (ITS), et al v. Eastman Kodak Company). The complaint sought unspecified compensatory and punitive damages. Trial began on June 19, 1995 and concluded on September 18, 1995 with a jury verdict for plaintiffs of \$23,948,300, before trebling. The Company's appeal of the jury's verdict was argued in the 9th Circuit Court of Appeals on September 19, 1996, and a decision is awaited. The Company intends to continue to vigorously defend the ITS case.

Three cases that raise essentially the same antitrust issues as ITS are pending (Nationwide, et al v. Eastman Kodak Company, filed March 10, 1995, A-1 Copy Center, et al v. Eastman Kodak Company, filed December 13, 1993, and Broward Microfilm, Inc. v. Eastman Kodak Company, filed February 27, 1996). The Nationwide and A-1 cases are pending in federal district court in San Francisco, while Broward Microfilm is pending in federal district court in Miami. A-1 is a consolidated class action, while Broward Microfilm purports to be a national class action. The complaints in all three cases seek unspecified compensatory and punitive damages. As is the case in ITS, the Company is defending these matters vigorously.

As a participant in the Environmental Protection Agency's (EPA) Toxic Substances Control Act (TSCA) Section 8 (e) Compliance Audit Program, the Company agreed to audit its files for materials which under current EPA guidelines would be subject to notification under Section 8 (e) of TSCA and to pay stipulated penalties for each report submitted under this program. The Company's participation in the Program concluded in the fourth quarter, with the payment by the Company of a civil penalty of \$750,000.

The Company has been designated as a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (the Superfund law), or under similar state laws, for environmental assessment and cleanup costs as the result of the Company's alleged arrangements for disposal of hazardous substances at approximately twenty Superfund sites. With respect to each of these sites, the Company's actual or potential allocated share of responsibility is small. Furthermore, numerous other PRPs have similarly been designated at these sites and, although the law imposes joint and several liability on PRPs, as a practical matter, costs are shared with other PRPs. Settlements and costs paid by the Company in Superfund matters to date have not been material. Future costs are not expected to be material to the Company's financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to General Instruction G(3) of Form 10-K, the following list is included as an unnumbered item in Part I of this Report in lieu of being included in the Proxy Statement for the Annual Meeting of Shareholders.

(as of December 31, 1996)

| Name | Age | Positions Held | Date First Elected an Executive Officer | to Present Office |
|-------------------------|-----|--|--|-------------------------|
| George M. C. Fisher (a) | 56 | Chairman of the Board, President, Chief Executive Officer and Chief Operating Officer | 1993 | 1995 |
| Joerg D. Agin | 54 | Senior Vice President | 1996 | 1996 |
| Michael P. Benard | 49 | Vice President | 1994 | 1994 |
| David P. Biehn | 53 | Senior Vice President | 1995 | 1995 |
| Richard T. Bourns | 62 | Senior Vice President | 1988 | 1990 |
| Daniel A. Carp (b) | 48 | Executive Vice President and Assistant Chief Operating Officer | 1995 | 1995 |
| David J. FitzPatrick | 42 | Controller and Vice President | 1995 | 1996 |
| Carl E. Gustin, Jr. | 45 | Senior Vice President | 1995 | 1995 |
| Harry L. Kavetas | 59 | Chief Financial Officer and Executive Vice President | 1994 | 1994 |
| Carl F. Kohrt | 53 | Executive Vice President and Assistant Chief Operating Officer | 1995 | 1995 |
| James W. Meyer | 53 | Senior Vice President | 1994 | 1994 |
| Michael P. Morley | 53 | Senior Vice President | 1994 | 1994 |
| Wilbur J. Prezzano (c) | 56 | Vice Chairman | 1980 | 1994 |
| Gary P. Van Graafeiland | 50 | General Counsel and Senior Vice President | 1992 | 1992 |

(a) Relinquished the titles of President and COO, effective 1/1/97

(b) Elected President and COO effective 1/1/97

(c) Retired 1/1/97

Executive officers are elected annually in February.

All of the executive officers have been employed by Kodak in various executive and managerial positions for more than five years, except Mr. Fisher, who joined the Company on December 1, 1993; Mr. Kavetas, who joined the Company on February 11, 1994; Mr. Gustin, who joined the Company on August 15, 1994; Mr. FitzPatrick, who joined the Company on March 27, 1995; and Mr. Agin, who joined the Company on September 1, 1995. Prior to joining Kodak, Mr. Fisher held executive positions with Motorola, Inc., most recently as Chairman and Chief Executive Officer. Prior to joining Kodak, Mr. Kavetas held executive positions with International Business Machines (IBM) Corporation, most recently as President, Chief Executive Officer and a director of IBM Credit Corporation. Prior to joining Kodak, Mr. Gustin held executive positions with Digital Equipment Corporation, which he joined in 1994, and Apple Computer. Prior to joining Kodak, Mr. FitzPatrick held executive positions with General Motors Corporation, most recently as finance director of the Cadillac/Luxury Car Division. Prior to joining Kodak in 1995, Mr. Agin held executive positions with Universal Studios, most recently as Senior Vice President, New Technology and Business Development. Mr. Agin was previously employed by Eastman Kodak Company, leaving in 1992 from the position of Vice President and General Manager of Motion Picture and Television Imaging to join Universal Studios.

There have been no events under any bankruptcy act, no criminal proceedings, and no judgments or injunctions material to the evaluation of the ability and integrity of any executive officer during the past five years.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Eastman Kodak Company common stock is principally traded on the New York Stock Exchange. There were 137,092 shareholders of record of common stock as of December 31, 1996. See Liquidity and Capital Resources, and Market Price Data on pages 10 and 11.

ITEM 6. SELECTED FINANCIAL DATA

Refer to Summary of Operating Data on page 37.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

| SUMMARY | | | | | |
|--|----------|--------|----------|--------|----------|
| (in millions, except earnings per share) | 1996 | Change | 1995 | Change | 1994 |
| Sales from continuing operations | \$15,968 | + 7% | \$14,980 | + 10% | \$13,557 |
| Earnings from operations before extraordinary items: | | | | | |
| Continuing | 1,011 | -19 | 1,252 | +126 | 554 |
| Discontinued | 277 | | - | | 269 |
| Net earnings | 1,288 | + 3 | 1,252 | +125 | 557 |
| Earnings per share | 3.82 | + 4 | 3.67 | +121 | 1.66 |

1996

The Company results for the year included the following (all occurring in the fourth quarter):

After-tax restructuring costs of \$256 million. Refer to Note 13 on page 28.

An after-tax loss of \$252 million related to the sale of the Office Imaging business. Refer to Note 2 on page 20.

After-tax income of \$277 million from discontinued operations associated with the sale of the non-imaging health businesses in 1994. Refer to Note 3 on page 20.

Excluding these items, net earnings would have been \$1,519 million and earnings per share would have been \$4.50.

During the 1996 second quarter, Kodak concluded a \$1 billion share repurchase program, announced in October 1995, and initiated an additional \$2 billion repurchase program.

1995

Earnings included charges of \$54 million (\$51 million after-tax) for write-offs of intangible assets principally associated with the Health Imaging business.

1994

In 1994, the Company divested the pharmaceutical and consumer health businesses of Sterling Winthrop Inc., the household products and do-it-yourself products businesses of L&F Products and the Clinical Diagnostics Division for aggregate proceeds of \$7.9 billion. These businesses were reported as discontinued operations for 1994. The Company used proceeds from the divestiture, short-term borrowings and cash from operations to extinguish \$6,598 million (net carrying amount) of borrowings, \$7,800 million (notional amount) of financial instruments, a \$292 million master lease program and a \$200 million receivable financing program.

Earnings from continuing operations in 1994 included \$340 million of pre-tax restructuring costs (\$254 million or \$.75 per share after-tax), pre-tax incremental charges associated with the review of the carrying value of assets of \$65 million and a \$110 million pre-tax loss associated with the extinguishment of certain financial instruments. An extraordinary loss of \$266 million after-tax (\$.79 per share) was also recognized in connection with the reduction of debt and other financial instruments. Earnings from discontinued operations were \$269 million (\$.80 per share), which was comprised of a net after-tax gain of \$350 million realized from the sale of the non-imaging health businesses less an after-tax loss from operations prior to measurement date of \$81 million.

DETAILED RESULTS OF OPERATIONS

| Sales by Industry Segment (in millions) | 1996 | Change | 1995 | Change | 1994 |
|--|----------|--------|----------|--------|----------|
| Sales from Continuing Operations: | | | | | |
| Consumer Imaging | | | | | |
| Inside the U.S. | \$ 3,319 | +16% | \$ 2,854 | +18% | \$ 2,428 |
| Outside the U.S. | 4,340 | + 9 | 3,976 | +14 | 3,491 |
| | ----- | --- | ----- | --- | ----- |
| Total Consumer Imaging | 7,659 | +12 | 6,830 | +15 | 5,919 |
| | ----- | --- | ----- | --- | ----- |
| Commercial Imaging | | | | | |
| Inside the U.S. | 4,065 | 0 | 4,066 | + 3 | 3,948 |
| Outside the U.S. | 4,275 | + 4 | 4,118 | +11 | 3,698 |
| | ----- | --- | ----- | --- | ----- |
| Total Commercial Imaging | 8,340 | + 2 | 8,184 | + 7 | 7,646 |
| | ----- | --- | ----- | --- | ----- |
| Deduct: Intersegment Sales | (31) | | (34) | | (8) |
| | ----- | --- | ----- | --- | ----- |
| Total Sales from Continuing Operations | \$15,968 | + 7% | \$14,980 | +10% | \$13,557 |
| | ===== | === | ===== | === | ===== |

Earnings from Operations by Industry Segment
(in millions)

| | 1996 | Change | 1995 | Change | 1994 |
|--|----------|--------|----------|--------|----------|
| Earnings from Operations from Continuing Operations: | | | | | |
| Consumer Imaging | \$ 1,141 | - 9% | \$ 1,254 | +43% | \$ 878 |
| Percent of segment sales | 14.9% | | 18.4% | | 14.8% |
| Commercial Imaging | \$ 704 | + 2% | \$ 687 | +59% | \$ 431 |
| Percent of segment sales | 8.4% | | 8.4% | | 5.6% |
| | ----- | --- | ----- | --- | ----- |
| Total Earnings from Operations from Continuing Operations | \$ 1,845 | - 5% | \$ 1,941 | +48% | \$ 1,309 |
| | ===== | === | ===== | === | ===== |

Earnings from operations for 1996 are shown after deducting restructuring costs of \$183 million for Consumer Imaging and \$175 million for Commercial Imaging. Earnings from operations for 1994 are shown after deducting restructuring costs of \$190 million for Consumer Imaging and \$150 million for Commercial Imaging.

Segment information is reported on pages 33 through 35, Notes to Financial Statements.

1996 COMPARED WITH 1995

Worldwide sales in 1996 were 7% higher than in 1995, primarily due to higher unit volumes. Currency changes against the dollar unfavorably affected sales by \$243 million in 1996 compared with 1995.

Consumer Imaging segment sales for the year were up 12%, primarily due to higher unit volumes partially offset by lower effective selling prices and unfavorable effects of foreign currency rate changes. Sales increased both inside and outside the U.S. Strong color film and paper volumes, photofinishing increases in Qualex and sales of Advantix products led the gains.

Commercial Imaging segment sales for the year were up 2%, primarily due to higher unit volumes partially offset by unfavorable effects of foreign currency rate changes and lower effective selling prices. Sales increased outside the U.S., but were level in the U.S. Declines in Office Imaging partially offset strong sales gains by Entertainment Imaging and continued growth in Business Imaging Systems and Digital and Applied Imaging.

Earnings from operations decreased 5%; however, excluding restructuring costs of \$358 million, earnings from operations increased 13%, as the benefits of higher unit volumes and manufacturing productivity were somewhat offset by lower effective selling prices and higher advertising expenditures.

Earnings from operations in the Consumer Imaging segment decreased 9%; however, excluding restructuring costs of \$183 million, earnings from operations increased 6%, as the benefits of higher unit volumes and manufacturing productivity were partially offset by lower effective selling prices and higher advertising expenditures.

Earnings from operations in the Commercial Imaging segment increased 2%; however, excluding restructuring costs of \$175 million, earnings from operations increased 28%, as the benefits of manufacturing productivity and higher unit volumes were somewhat offset by lower effective selling prices, higher research and development expenditures, and unfavorable effects of foreign currency rate changes.

Research and development expenditures were \$1,028 million in 1996 and \$935 million in 1995. Goodwill charges were \$66 million in 1996 and \$109 million in 1995. The 1995 figure includes write-offs of intangible assets of \$54 million, principally associated with the Health Imaging business. Advertising and sales promotion expenses totaled \$1,026 million in 1996 and \$840 million in 1995. Other marketing and administrative expenses totaled \$3,384 million in 1996 and \$3,318 million in 1995.

Earnings from equity interests and other revenues decreased 5%, primarily due to lower income from equity interests. Excluding the \$387 million pre-tax loss on the sale of the Office Imaging business from 1996, other costs decreased 54%, mostly due to lower foreign exchange losses.

The effective tax rates were 34% in 1996, excluding restructuring costs and the sale of the Office Imaging business, and 35% in 1995. The lower effective tax rate in 1996 principally results from the utilization of certain foreign tax loss carryforwards.

1995 COMPARED WITH 1994

Worldwide 1995 sales from continuing operations increased 10% compared with 1994, primarily due to higher unit volumes. Excluding sales of the Company's Qualex subsidiary, acquired in August 1994, sales increased 8%, primarily due to higher unit volumes and the favorable effects of foreign currency rate changes. Currency changes against the dollar favorably affected sales by \$453 million in 1995 compared with 1994.

Sales for the Consumer Imaging segment increased significantly over 1994. Sales to customers in the U.S. increased substantially over 1994 due to higher volumes and the inclusion of Qualex revenues, whose sales are included in the consolidated totals from August 1994. Prior to August 1994, Qualex's results were recorded using the equity method of accounting. Sales to customers in the U.S., excluding Qualex's sales, increased slightly. Sales to customers outside the U.S. increased significantly from 1994, as good volume gains and the favorable effects of foreign currency rate changes were only partially offset by lower effective selling prices. Worldwide volume increases were led by color papers and films and one-time-use cameras.

Commercial Imaging sales showed a moderate sales increase over 1994. Sales to customers in the U.S. increased 3%, as volume increases were slightly offset by lower effective selling prices. Sales to customers outside the U.S. increased significantly from 1994, as good volume gains and the favorable effects of foreign currency rate changes were slightly offset by lower effective selling prices. Entertainment Imaging and Digital and Applied Imaging led the worldwide sales increases.

Earnings from operations increased 48% from 1994. Excluding 1994 restructuring costs of \$340 million, earnings from operations increased 18%.

Consumer Imaging earnings from operations increased 43% (17% excluding 1994 restructuring costs). Earnings benefited from increased unit volumes, productivity gains and the favorable effects of foreign currency rate changes, but were adversely affected by cost escalation, higher levels of marketing and administrative activity and lower effective selling prices.

Commercial Imaging earnings from operations increased 59% (18% excluding 1994 restructuring costs). Earnings benefited from increased unit volumes, productivity gains and the favorable effects of foreign currency rate changes, but were adversely affected by cost escalation, lower effective selling prices, and \$54 million of intangible asset write-offs principally associated with the Health Imaging business.

Research and development expenditures were \$935 million in 1995 and \$859 million in 1994. Goodwill charges were \$109 million in 1995 and \$67 million in 1994. The increase was attributed to intangible asset write-offs, principally associated with the Health Imaging business, and the inclusion of a full year of Qualex goodwill amortization. Advertising and sales promotion expenses totaled \$840 million in 1995 and \$744 million in 1994. Other marketing and administrative expenses totaled \$3,318 million in 1995 and \$2,967 million in 1994. Increases in selling, general and administrative expenses in 1995 resulted from the unfavorable effects of foreign currency rate changes, higher activity levels and the inclusion of a full year of Qualex activity.

Earnings from equity interests and other revenues were \$289 million in 1995 compared with \$130 million in 1994. The increase in 1995 was primarily due to higher interest income and gains from the sales of capital assets. Interest expense of \$78 million in 1995 decreased from \$142 million in 1994 due to lower debt levels. Other costs of \$210 million in 1995 are essentially level with 1994 after excluding \$110 million of 1994 pre-tax charges associated with the extinguishment of certain financial instruments.

The effective tax rates were 35% in 1995 and 39% in 1994, excluding restructuring costs. The lower effective tax rate in 1995 principally results from the utilization of certain foreign tax loss carryforwards.

LIQUIDITY AND CAPITAL RESOURCES

During the 1996 second quarter, Kodak concluded a \$1 billion share repurchase program, announced in October 1995, and initiated an additional \$2 billion repurchase program which is expected to extend over the next two to three years. During 1996, \$700 million of shares were purchased to complete the first program, and \$623 million of shares have been purchased against the second program.

Cash flow from operations in 1996 was \$2,484 million, primarily due to earnings from continuing operations of \$1,011 million which included non-cash expenses for depreciation and amortization of \$903 million. Net cash outflow from investing activities was \$636 million in 1996, due to capital expenditures of \$1,341 million, offset by proceeds of \$688 million from the sale of the Office Imaging business. Net cash outflow from financing activities in 1996 of \$1,833 million was primarily due to \$1,323 million of stock repurchases and \$539 million of dividend payments.

Total cash dividends (paid on a quarterly basis) of approximately \$539 million (\$1.60 per share), \$547 million (\$1.60 per share) and \$537 million (\$1.60 per share) were declared in 1996, 1995 and 1994, respectively. On January 15, 1997, the Company declared a quarterly cash dividend of \$.44 per share, representing an increase of \$.04 per share, payable April 1 to shareholders of record, March 3, 1997.

Cash, cash equivalents and marketable securities at year-end 1996 were \$1,796 million, a \$15 million decrease from the year-end 1995 total of \$1,811 million. Net working capital at year-end 1996 decreased to \$1,548 million from \$2,666 million at year-end 1995. The net change was caused primarily by increases in short-term payables associated with the 1996 restructuring program and sale of the Office Imaging business, as well as decreases in accounts receivable due in part to the sale of the Office Imaging business.

Total short-term and long-term borrowings were \$1,100 million at year-end 1996 and \$1,251 million at year-end 1995. The Company has access to a \$3.5 billion revolving credit facility expiring in November 2001. The Company also has a shelf registration statement for debt securities with an available balance of \$2.2 billion.

Capital additions were \$599 million and \$436 million for the Consumer Imaging segment in 1996 and 1995, respectively, and \$742 million and \$598 million for the Commercial Imaging segment.

OTHER

The after-tax restructuring charge of \$256 million resulted from a plan developed with the primary objective of dealing with infrastructure and operational inefficiencies and redundancies around the world, including actions required as a result of the sale of the Office Imaging business as well as rationalization of the Company's photofinishing operations outside the U.S. The plan will result in the separation of approximately 3,900 people, principally outside the U.S., and is expected to be largely completed in the next twelve months. Approximately two-thirds of the charge relates to separation payments and one-third is for business exits and facility closures.

Kodak is subject to various laws and governmental regulations concerning environmental matters. Refer to Note 10, Commitments and Contingencies, on page 23.

MARKET PRICE DATA

| Price per share: | 1996 | | | | 1995 | | | |
|------------------|---------|----------|----------|----------|----------|----------|----------|----------|
| | 4th Qtr | 3rd Qtr | 2nd Qtr | 1st Qtr | 4th Qtr | 3rd Qtr | 2nd Qtr | 1st Qtr |
| High | \$85 | \$79-1/8 | \$80-1/8 | \$77-7/8 | \$70-3/8 | \$64-1/2 | \$63-3/8 | \$54-5/8 |
| Low | 75 | 67 | 68-5/8 | 65-1/8 | 55-5/8 | 56 | 51-3/8 | 47-1/4 |

SUMMARY OF OPERATING DATA

A summary of operating data for 1996 and for the four years prior is shown on page 37.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation and integrity of the consolidated financial statements and related notes which appear on pages 13 through 36. These financial statements have been prepared in accordance with generally accepted accounting principles and include certain amounts that are based on management's best estimates and judgments.

The Company's accounting systems include extensive internal controls designed to provide reasonable assurance of the reliability of its financial records and the proper safeguarding and use of its assets. Such controls are based on established policies and procedures, are implemented by trained, skilled personnel with an appropriate segregation of duties, and are monitored through a comprehensive internal audit program. The Company's policies and procedures prescribe that the Company and all employees are to maintain the highest ethical standards and that its business practices throughout the world are to be conducted in a manner which is above reproach.

The consolidated financial statements have been audited by Price Waterhouse LLP, independent accountants, who were responsible for conducting their audits in accordance with generally accepted auditing standards. Their resulting report is shown below.

The Board of Directors exercises its responsibility for these financial statements through its Audit Committee, which consists entirely of non-management Board members. The independent accountants and internal auditors have full and free access to the Audit Committee. The Audit Committee meets periodically with the independent accountants and the Director of Corporate Auditing, both privately and with management present, to discuss accounting, auditing and financial reporting matters.

George M. C. Fisher
Chairman and
Chief Executive Officer
January 15, 1997

Harry L. Kavetas
Chief Financial Officer and
Executive Vice President
January 15, 1997

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Eastman Kodak Company

In our opinion, the accompanying consolidated financial statements listed in the index appearing under Item 14(a)(1) and (2) on page 38 of this Annual Report on Form 10-K present fairly, in all material respects, the financial position of Eastman Kodak Company and subsidiary companies at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Rochester, New York
January 15, 1997

Eastman Kodak Company and Subsidiary Companies
CONSOLIDATED STATEMENT OF EARNINGS

| | For the Year Ended December 31, | | |
|--|---------------------------------|----------|----------|
| | 1996 | 1995 | 1994 |
| (in millions, except per share data) | | | |
| REVENUES | | | |
| Sales | \$15,968 | \$14,980 | \$13,557 |
| Earnings from equity interests and other revenues | 276 | 289 | 130 |
| | ----- | ----- | ----- |
| TOTAL REVENUES | 16,244 | 15,269 | 13,687 |
| | ----- | ----- | ----- |
| COSTS | | | |
| Cost of goods sold | 8,326 | 7,962 | 7,325 |
| Selling, general and administrative expenses | 4,410 | 4,158 | 3,711 |
| Research and development costs | 1,028 | 935 | 859 |
| Interest expense | 83 | 78 | 142 |
| Restructuring costs | 358 | - | 340 |
| Other costs | 483 | 210 | 308 |
| | ----- | ----- | ----- |
| TOTAL COSTS | 14,688 | 13,343 | 12,685 |
| | ----- | ----- | ----- |
| Earnings from continuing operations before income taxes | 1,556 | 1,926 | 1,002 |
| Provision for income taxes from continuing operations | 545 | 674 | 448 |
| | ----- | ----- | ----- |
| Earnings from continuing operations before extraordinary items | 1,011 | 1,252 | 554 |
| Loss from discontinued operations | - | - | (81) |
| Gain on sale of discontinued operations | 277 | - | 350 |
| | ----- | ----- | ----- |
| Earnings before extraordinary items | 1,288 | 1,252 | 823 |
| Extraordinary items | - | - | (266) |
| | ----- | ----- | ----- |
| NET EARNINGS | \$ 1,288 | \$ 1,252 | \$ 557 |
| | ===== | ===== | ===== |
| Earnings (loss) per share: | | | |
| From continuing operations before extraordinary items | \$ 3.00 | \$ 3.67 | \$ 1.65 |
| From discontinued operations | - | - | (.25) |
| From sale of discontinued operations | .82 | - | 1.05 |
| | ----- | ----- | ----- |
| Before extraordinary items | 3.82 | 3.67 | 2.45 |
| From extraordinary items | - | - | (.79) |
| | ----- | ----- | ----- |
| Earnings per share | \$ 3.82 | \$ 3.67 | \$ 1.66 |
| | ===== | ===== | ===== |
| The number of common shares used to compute earnings per share amounts was as follows: | | | |
| | 337.4 | 341.5 | 335.7 |

The notes on pages 18 through 36 are an integral part of these financial statements.

Eastman Kodak Company and Subsidiary Companies
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in millions)

At December 31,
1996 1995

ASSETS

CURRENT ASSETS

| | | |
|-----------------------------|----------|----------|
| Cash and cash equivalents | \$ 1,777 | \$ 1,764 |
| Marketable securities | 19 | 47 |
| Receivables | 2,738 | 3,145 |
| Inventories | 1,575 | 1,660 |
| Deferred income tax charges | 644 | 520 |
| Other | 212 | 173 |
| | ----- | ----- |
| Total current assets | 6,965 | 7,309 |
| | ----- | ----- |

PROPERTIES

| | | |
|-------------------------------|--------|--------|
| Land, buildings and equipment | 12,585 | 12,652 |
| Accumulated depreciation | 7,163 | 7,275 |
| | ----- | ----- |
| Net properties | 5,422 | 5,377 |

OTHER ASSETS

| | | |
|---|----------|----------|
| Goodwill (net of accumulated amortization of \$366 and \$326) | 581 | 536 |
| Long-term receivables and other noncurrent assets | 1,238 | 911 |
| Deferred income tax charges | 232 | 344 |
| | ----- | ----- |
| TOTAL ASSETS | \$14,438 | \$14,477 |
| | ===== | ===== |

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|-----------------------------|----------|----------|
| Payables | \$ 4,116 | \$ 3,327 |
| Short-term borrowings | 541 | 586 |
| Taxes - income and other | 603 | 567 |
| Dividends payable | 133 | 137 |
| Deferred income tax credits | 24 | 26 |
| | ----- | ----- |
| Total current liabilities | 5,417 | 4,643 |

OTHER LIABILITIES

| | | |
|-----------------------------|-------|-------|
| Long-term borrowings | 559 | 665 |
| Postemployment liabilities | 2,967 | 3,247 |
| Other long-term liabilities | 659 | 704 |
| Deferred income tax credits | 102 | 97 |
| | ----- | ----- |
| Total liabilities | 9,704 | 9,356 |
| | ----- | ----- |

SHAREHOLDERS' EQUITY

| | | |
|--|----------|----------|
| Common stock, par value \$2.50 per share, 950,000,000 shares authorized; issued 391,292,760 shares in 1996 and 389,574,619 shares in 1995 | 978 | 974 |
| Additional capital paid in or transferred from retained earnings | 910 | 803 |
| Retained earnings | 5,931 | 5,184 |
| Accumulated translation adjustment | 75 | 93 |
| | ----- | ----- |
| Treasury stock, at cost 59,450,888 shares in 1996 and 43,685,196 shares in 1995 | 7,894 | 7,054 |
| | ----- | ----- |
| Total shareholders' equity | 4,734 | 5,121 |
| | ----- | ----- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$14,438 | \$14,477 |
| | ===== | ===== |

The notes on pages 18 through 36 are an integral part of these financial statements.

Eastman Kodak Company and Subsidiary Companies
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in millions, except for number of shares)

| | Common Stock* | Additional Capital Paid In | Retained Earnings | Trans- lation Adjust- ments | Treasury Stock | Total |
|---|------------------|----------------------------------|----------------------|--------------------------------------|-------------------|----------|
| Shareholders' Equity, December 31, 1993 | \$948 | \$ 213 | \$ 4,469 | \$(235) | \$(2,039) | \$ 3,356 |
| Net earnings | - | - | 557 | - | - | 557 |
| Cash dividends declared | - | - | (537) | - | - | (537) |
| Retained earnings - other changes | - | - | (4) | - | - | (4) |
| Common stock issued under employee plans (954,000 shares) | 2 | 32 | - | - | - | 34 |
| Treasury stock issued under employee plans (30,000 shares) | - | - | - | - | 1 | 1 |
| Common stock issued for debt conversions (6,310,000 shares) | 16 | 252 | - | - | - | 268 |
| Treasury stock issued for debt conversions (1,954,000 shares) | - | 4 | - | - | 81 | 85 |
| Tax reductions - employee plans | - | 14 | - | - | - | 14 |
| Translation adjustments: | | | | | | |
| Continuing operations | - | - | - | 186 | - | 186 |
| Discontinued operations | - | - | - | 57 | - | 57 |
| Shareholders' Equity, December 31, 1994 | 966 | 515 | 4,485 | 8 | (1,957) | 4,017 |
| Net earnings | - | - | 1,252 | - | - | 1,252 |
| Cash dividends declared | - | - | (547) | - | - | (547) |
| Retained earnings - other changes | - | - | (6) | - | - | (6) |
| Common stock issued under employee plans (3,231,000 shares) | 8 | 110 | - | - | - | 118 |
| Treasury stock contribution to U.S. pension plan (7,354,000 shares) | - | 178 | - | - | 322 | 500 |
| Treasury stock repurchase (4,503,000 shares) | - | - | - | - | (300) | (300) |
| Treasury stock issued under employee plans (12,000 shares) | - | - | - | - | 1 | 1 |
| Charitable contribution (23,000 shares) | - | - | - | - | 1 | 1 |
| Translation adjustments | - | - | - | 85 | - | 85 |
| Shareholders' Equity, December 31, 1995 | 974 | 803 | 5,184 | 93 | (1,933) | 5,121 |
| Net earnings | - | - | 1,288 | - | - | 1,288 |
| Cash dividends declared | - | - | (539) | - | - | (539) |
| Retained earnings - other changes | - | - | (2) | - | - | (2) |
| Common stock issued under employee plans (1,718,141 shares) | 4 | 64 | - | - | - | 68 |
| Treasury stock repurchase (17,625,850 shares) | - | - | - | - | (1,323) | (1,323) |
| Treasury stock issued under employee plans (1,851,710 shares) | - | (25) | - | - | 96 | 71 |
| Tax reductions - employee plans | - | 68 | - | - | - | 68 |
| Translation adjustments | - | - | - | (18) | - | (18) |
| Shareholders' Equity, December 31, 1996 | \$978 | \$ 910 | \$ 5,931 | \$ 75 | \$(3,160) | \$ 4,734 |
| ==== | ===== | ===== | ===== | ===== | ===== | ===== |

* There are 100 million shares of \$10 par value preferred stock authorized, none of which have been issued.

The notes on pages 18 through 36 are an integral part of these financial statements.

Eastman Kodak Company and Subsidiary Companies
CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31,
1996 1995 1994

(in millions)

| | | | |
|--|----------|----------|----------|
| Cash flows from operating activities: | | | |
| Earnings from continuing operations before extraordinary items | \$ 1,011 | \$ 1,252 | \$ 554 |
| Adjustments to reconcile to net cash provided by operating activities, excluding the effects of dispositions and initial consolidation of acquired companies | | | |
| Depreciation and amortization | 903 | 916 | 903 |
| Loss on sale of Office Imaging business | 387 | - | - |
| Restructuring costs | 358 | - | 340 |
| (Benefit) provision for deferred income taxes | (17) | 283 | (126) |
| Loss on sale/retirement of properties | 65 | 82 | 145 |
| Decrease (increase) in receivables | 15 | (42) | 169 |
| (Increase) decrease in inventories | (130) | (148) | 151 |
| Increase (decrease) in liabilities excluding borrowings | 18 | 450 | (306) |
| Repurchase of receivables program | - | - | (200) |
| Other items, net | (126) | (163) | 12 |
| | ----- | ----- | ----- |
| Total adjustments | 1,473 | 1,378 | 1,088 |
| | ----- | ----- | ----- |
| Net cash provided by operating activities | 2,484 | 2,630 | 1,642 |
| | ----- | ----- | ----- |
| Cash flows from investing activities: | | | |
| Additions to properties | (1,341) | (1,034) | (1,153) |
| Proceeds from sale of properties | 124 | 121 | 93 |
| Proceeds from sale of Office Imaging business | 688 | - | - |
| Acquisitions, net of cash acquired | (128) | - | (48) |
| Purchases of shares of Qualex, net of cash acquired | - | (100) | - |
| Cash flows related to sales of non-imaging health businesses | (7) | (1,411) | 7,644 |
| Sales of marketable securities | 59 | 48 | 249 |
| Purchases of marketable securities | (31) | (4) | (43) |
| | ----- | ----- | ----- |
| Net cash (used in) provided by investing activities | (636) | (2,380) | 6,742 |
| | ----- | ----- | ----- |
| Cash flows from financing activities: | | | |
| Net (decrease) increase in borrowings with original maturity of 90 days or less | (206) | (106) | 124 |
| Proceeds from other borrowings | 1,529 | 766 | 52 |
| Repayment of other borrowings and certain financial instruments | (1,420) | (440) | (7,650) |
| Dividends | (539) | (547) | (566) |
| Exercise of employee stock options | 126 | 115 | 34 |
| Stock repurchase programs | (1,323) | (300) | - |
| | ----- | ----- | ----- |
| Net cash used in financing activities | (1,833) | (512) | (8,006) |
| | ----- | ----- | ----- |
| Effect of exchange rate changes on cash | (2) | 6 | 7 |
| | ----- | ----- | ----- |
| Net increase (decrease) in cash and cash equivalents | 13 | (256) | 385 |
| Cash and cash equivalents, beginning of year | 1,764 | 2,020 | 1,635 |
| | ----- | ----- | ----- |
| Cash and cash equivalents, end of year | \$ 1,777 | \$ 1,764 | \$ 2,020 |
| | ===== | ===== | ===== |

Eastman Kodak Company and Subsidiary Companies
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and income taxes for continuing operations was:

| (in millions) | 1996 | 1995 | 1994 |
|--|-------|-------|-------|
| Interest, net of portion capitalized of \$29, \$30 and \$28 | \$ 78 | \$ 97 | \$342 |
| Income taxes | 275 | 343 | 309 |

The following transactions are not reflected in the Consolidated Statement of Cash Flows: in 1995, a \$500 million stock contribution to the Company's U.S. pension plan, and, in 1994, certain assets acquired and liabilities assumed as a result of the Qualex acquisition and the debentures and notes called by the Company resulting in the Company's common stock being issued.

The notes on pages 18 through 36 are an integral part of these financial statements.

Eastman Kodak Company and Subsidiary Companies

NOTES TO FINANCIAL STATEMENTS

NOTE 1

SIGNIFICANT ACCOUNTING POLICIES

COMPANY OPERATIONS

Eastman Kodak Company (the Company or Kodak) is engaged primarily in developing, manufacturing, and marketing consumer and commercial imaging products. The Company's products are manufactured in a number of countries in North and South America, Europe, Australia and Asia. The Company's products are marketed and sold in many countries throughout the world.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Eastman Kodak Company and its majority owned subsidiary companies. Intercompany transactions are eliminated and net earnings are reduced by the portion of the earnings of subsidiaries applicable to minority interests.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at year end and the reported amounts of revenues and expenses during the reporting period. Certain significant estimates are disclosed throughout this report.

FOREIGN CURRENCY

For most subsidiaries and branches outside the U.S., the local currency is the functional currency and translation adjustments are accumulated in a separate component of shareholders' equity.

For subsidiaries and branches that operate in U.S. dollars or whose economic environment is highly inflationary, the U.S. dollar is the functional currency and gains and losses that result from translation are included in earnings. The effect from foreign currency translation was a loss of \$4 million in 1996, a gain of \$14 million in 1995 and a loss of \$7 million in 1994.

The Company hedges certain foreign currency transactions and firm foreign currency commitments by entering into forward exchange contracts. Gains and losses associated with currency rate changes on forward contracts hedging foreign currency transactions are recorded currently in earnings. The effects from foreign currency transactions, including related hedging activities, were losses of \$37 million in 1996, \$76 million in 1995 and \$46 million in 1994. Gains and losses related to hedges of firm commitments are deferred and recognized in earnings or as adjustments of carrying amounts when the transaction occurs.

CASH EQUIVALENTS

All highly liquid investments with an original maturity of three months or less at date of purchase are considered to be cash equivalents.

MARKETABLE SECURITIES AND NONCURRENT INVESTMENTS

Investments included in marketable securities of \$18 million and \$42 million and in long-term receivables and other noncurrent assets of \$46 million and \$60 million at December 31, 1996 and 1995, respectively, are considered held to maturity. Investments included in marketable securities of \$1 million and \$5 million and in long-term receivables and other noncurrent assets of \$59 million and \$55 million at December 31, 1996 and 1995, respectively, are considered available for sale. The maturities of long-term receivables range from 1998 to 2004.

Proceeds from the sale of securities were \$59 million in 1996 and \$48 million in 1995. No gain or loss was realized from the sale of these securities in 1996 or 1995. Specific identification was used to determine the cost of securities sold.

INVENTORIES

Inventories are valued at cost, which is not in excess of market. The cost of most inventories in the U.S. is determined by the "last-in, first-out" (LIFO) method. The cost of other inventories is determined by the "first-in, first-out" (FIFO) or average cost method.

PROPERTIES

Properties are recorded at cost reduced by accumulated depreciation. Depreciation expense is provided based on historical cost and estimated useful lives ranging from approximately 5 years to 50 years for buildings and building equipment and 3 years to 20 years for machinery and equipment. The Company generally uses the straight-line method for calculating the provision for depreciation. The Company regularly assesses all of its long-lived assets for impairment, in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The impact of adopting SFAS No. 121 in 1996 was not material to the Company's financial position or results of operations.

GOODWILL

Goodwill is charged to earnings on a straight-line basis over the period estimated to be benefited, not exceeding fifteen years for continuing operations. The carrying value of goodwill is assessed periodically based on the expected future cash flows of the asset grouping associated with the goodwill.

REVENUE

Revenue is recognized from the sale of film, paper, supplies and equipment (including sales-type leases for equipment) when the product is shipped; from maintenance and service contracts over the contractual period, or as the services are performed; from rentals under operating leases in the month in which they are earned; and from financing transactions at level rates of return over the term of the lease or receivable.

ADVERTISING

Advertising costs are expensed as incurred and included in "selling, general and administrative expenses." Advertising expenses amounted to \$1,026 million, \$840 million and \$744 million in 1996, 1995 and 1994, respectively.

ENVIRONMENTAL COSTS

Environmental expenditures that relate to current operations are expensed or capitalized, as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued when it is probable that these costs will be incurred and can be reasonably estimated.

INCOME TAXES

Income tax expense is based on reported earnings before income taxes. Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes.

EARNINGS PER SHARE

Earnings per share, where such calculation is not anti-dilutive, is computed on the basis of the weighted average number of common shares outstanding.

RECLASSIFICATIONS

Certain reclassifications of 1995 and 1994 financial statement and related footnote amounts have been made to conform with the 1996 presentation.

NOTE 2

SALE OF ASSETS

On December 31, 1996, Danka Business Systems PLC (Danka) and Kodak entered into an agreement for Danka to acquire the sales, marketing and equipment service operations of Kodak's Office Imaging business, as well as Kodak's facilities management business known as Kodak Imaging Services. In connection with this agreement, Kodak will supply high-volume copiers and printers to Danka. Danka paid Kodak \$688 million in cash in exchange for certain assets and the assumption of certain operating liabilities. The book value of net assets sold was \$802 million. The Company recorded amounts for employee separation payments, contract termination payments, transaction costs and other significant items. As a result of this transaction, the Company recognized a pre-tax loss of \$387 million in other costs. The after-tax loss was \$252 million.

NOTE 3

DISCONTINUED OPERATIONS

In 1994, the Company sold the pharmaceutical and consumer health businesses of Sterling Winthrop Inc., the household products and do-it-yourself products businesses of L&F Products and the Clinical Diagnostics Division. The Company received \$7,858 million in proceeds from the sale of these businesses. The results of these businesses were reported as discontinued operations in 1994. Summarized results of these businesses, including allocations of interest expense, in 1994 included sales of \$3,175 million, a loss from the measurement date to the disposal date of \$77 million (\$86 million pre-tax), a gain on the sale of businesses of \$1,933 million before income taxes of \$1,506 million and an after-tax loss prior to measurement date of \$81 million (\$84 million pre-tax).

In computing the net gain from discontinued operations, the Company recorded amounts for environmental exposures, product liabilities, buyer indemnifications, purchase price adjustments, taxes and other significant items based on the best estimates available at the time the transactions occurred. The Company has substantially completed negotiations with buyers and filed tax returns associated with the sale of the non-imaging health businesses. As a result of these actions and a further assessment of the liabilities recorded at the time of the sale, the Company recognized a \$277 million after-tax benefit in discontinued operations in 1996, the primary component of which is income and other taxes. While the remaining balances included in these reserves are believed to be appropriate based on management's current judgments, changes could occur as audits and other activities related to these transactions are completed.

NOTE 4

RECEIVABLES

(in millions)

| | 1996 | 1995 |
|---|---------|---------|
| Trade receivables | \$2,340 | \$2,722 |
| Miscellaneous receivables | 398 | 423 |
| | ----- | ----- |
| Total (net of allowances of \$90 and \$104) | \$2,738 | \$3,145 |
| | ===== | ===== |

The Company sells to customers in a variety of industries, markets and geographies around the world. Receivables arising from these sales are generally not collateralized. Adequate provisions have been recorded for uncollectible receivables. There are no significant concentrations of credit risk.

NOTE 5

INVENTORIES

| (in millions) | 1996 | 1995 |
|---|---------|---------|
| At FIFO or average cost (approximates current cost) | | |
| Finished goods | \$1,072 | \$1,193 |
| Work in process | 587 | 592 |
| Raw materials and supplies | 505 | 519 |
| | ----- | ----- |
| | 2,164 | 2,304 |
| LIFO reserve | (589) | (644) |
| | ----- | ----- |
| Total | \$1,575 | \$1,660 |
| | ===== | ===== |

Inventories valued on the LIFO method are approximately 50 percent and 60 percent of total inventories in 1996 and 1995, respectively.

NOTE 6

PROPERTIES

| (in millions) | 1996 | 1995 |
|----------------------------------|----------|----------|
| Land | \$ 193 | \$ 208 |
| Buildings and building equipment | 2,788 | 2,798 |
| Machinery and equipment | 8,996 | 9,294 |
| Construction in progress | 608 | 352 |
| | ----- | ----- |
| | 12,585 | 12,652 |
| Accumulated depreciation | (7,163) | (7,275) |
| | ----- | ----- |
| Net properties | \$ 5,422 | \$ 5,377 |
| | ===== | ===== |

NOTE 7

PAYABLES AND SHORT-TERM BORROWINGS

| (in millions) | 1996 | 1995 |
|--|---------|---------|
| Trade creditors | \$ 966 | \$ 799 |
| Accrued advertising and promotional expenses | 279 | 252 |
| Accrued vacation | 271 | 313 |
| Wage dividend and Company payments under Employees' Savings and Investment Plan | 134 | 180 |
| Other employment-related liabilities | 476 | 372 |
| Restructuring programs | 379 | 213 |
| Liabilities related to sale of Office Imaging business | 384 | - |
| Liabilities related to sale of non-imaging health businesses | 152 | 201 |
| Other | 1,075 | 997 |
| | ----- | ----- |
| Total payables | \$4,116 | \$3,327 |
| | ===== | ===== |

Short-term bank borrowings, primarily by subsidiaries outside the U.S., totaled \$296 million at year-end 1996 and \$586 million at year-end 1995. The weighted average interest rate was 7.0% in 1996 and 4.7% in 1995.

The Company has a \$3,500 million unused revolving credit facility established in 1996 and expiring in November 2001 which is available to support the Company's commercial paper program and for general corporate purposes. If unused, it has a commitment fee of \$1.9 million per year. Interest on amounts borrowed under this facility is calculated at rates based on spreads above certain reference rates. The Company also has a shelf registration statement for debt securities with an available balance of \$2,200 million.



NOTE 8**LONG-TERM BORROWINGS**

(in millions)

| Description | Maturity Dates | 1996 | 1995 |
|--------------------|-------------------|-------|-------|
| Notes: | | | |
| 7.25% - 8.55% | 1997 - 2003 | \$433 | \$433 |
| 9.38% - 9.5% | 2003 - 2008 | 178 | 178 |
| Debentures: | | | |
| 9.2% - 9.95% | 2018 - 2021 | 13 | 13 |
| Other | | | |
| 1.6% - 18.5% | 1998 - 2011 | 180 | 41 |
| | | ---- | ---- |
| | | 804 | 665 |
| Current maturities | | (245) | - |
| | | ---- | ---- |
| Total | | \$559 | \$665 |
| | | ==== | ==== |

Annual maturities (in millions) of long-term borrowings outstanding at December 31, 1996 are as follows: 1997: \$245; 1998: \$68; 1999: \$104; 2000: \$29; 2001: \$26; and 2002 and beyond: \$332.

NOTE 9**OTHER LONG-TERM LIABILITIES**

(in millions)

| | 1996 | 1995 |
|---|-------|-------|
| Deferred compensation | \$179 | \$124 |
| Liabilities related to sale of non-imaging health businesses | 245 | 259 |
| Other | 235 | 321 |
| | ---- | ---- |
| Total | \$659 | \$704 |
| | ==== | ==== |

NOTE 10**COMMITMENTS AND CONTINGENCIES**

Expenditures for pollution prevention and waste treatment for continuing operations at various manufacturing facilities were as follows:

| (in millions) | 1996 | 1995 | 1994 |
|--|-------|-------|-------|
| Recurring costs for managing hazardous substances and pollution | \$ 76 | \$ 72 | \$ 83 |
| Capital expenditures to limit or monitor hazardous substances and pollutants | 37 | 31 | 36 |
| Site remediation costs | 3 | 3 | 3 |
| | ---- | ---- | ---- |
| Total | \$116 | \$106 | \$122 |
| | ==== | ==== | ==== |

At December 31, 1996 and 1995, the Company's accrued liabilities for environmental remediation costs amounted to \$106 million and \$114 million, respectively.

The Company expects these recurring and remediation costs and capital expenditures to increase in the future. It is not expected that these costs will have an impact materially different from 1996's environmental expenditures on the Company's financial position, results of operations, cash flows or competitive position.

In October 1994, the Company, the Environmental Protection Agency (EPA), and the U.S. Department of Justice announced the settlement of a civil complaint alleging noncompliance by the Company with federal environmental regulations at the Company's Kodak Park manufacturing site in Rochester, New York. The Company paid a penalty of \$5 million. A Consent Decree was signed under which the Company is subject to a Compliance Schedule by which the Company will improve its waste characterization procedures, upgrade one of its incinerators, and evaluate and upgrade its industrial sewer system. The total expenditures required to complete this program are currently estimated to be approximately \$70 million over the next seven years. These expenditures are capital in nature.

The Company has been designated as a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (the Superfund law), or under similar state laws, for environmental assessment and cleanup costs as the result of the Company's alleged arrangements for disposal of hazardous substances at approximately twenty Superfund sites. With respect to each of these sites, the Company's actual or potential allocated share of responsibility is small. Furthermore, numerous other PRPs have similarly been designated at these sites and, although the law imposes joint and several liability on PRPs, as a practical matter, costs are shared with other PRPs. Settlements and costs paid by the Company in Superfund matters to date have not been material. Future costs are also not expected to be material to the Company's financial position or results of operations.

In addition to the foregoing environmental actions, the Resource Conservation and Recovery Act (RCRA) Facility Assessment (RFA) pertaining to the Kodak Park site in Rochester, N.Y. is nearly complete and the Company has completed a broad-based assessment of the site in response to the RFA. While future expenditures associated with any remediation activities could be significant, the Company is currently in the process of completing the RCRA Facility Investigation (RFI). Upon completion of the RFI, the Company expects to have developed estimates of the required remediation costs.

The Clean Air Act Amendments were enacted in 1990. Expenditures to comply with the Clean Air Act implementing regulations issued to date have not been material and have been primarily capital in nature. Future capital expenditures cannot be reasonably estimated at the present time, as certain of the regulations of this Act have not been issued.

The Company has retained certain obligations for environmental remediation matters related to the non-imaging health businesses sold in 1994. Actions to fulfill these obligations are not expected to be completed in the near term and costs related to the obligations are included in remediation accruals recorded at December 31, 1996.

The Company has entered into agreements with several companies to provide the Company with products and services to be used in its normal operations. The minimum payments for these agreements are approximately \$94 million in 1997, \$88 million in 1998, \$79 million in 1999, \$62 million in 2000, \$12 million in 2001 and \$12 million in 2002 and thereafter.

The Company has also guaranteed debt and other obligations under agreements with certain affiliated companies and customers. At December 31, 1996, these guarantees totaled approximately \$143 million. The Company does not expect that these guarantees will have a material impact on the Company's future financial position or results of operations.

The Company has issued letters of credit in lieu of making security deposits to insure the payment of possible Workers' Compensation claims.

Rental expense, net of minor sublease income, amounted to \$242 million in 1996 and \$189 million in both 1995 and 1994. The approximate amounts of noncancelable lease commitments with terms of more than one year, principally for the rental of real property, reduced by minor sublease income, are \$188 million in 1997, \$153 million in 1998, \$120 million in 1999, \$92 million in 2000, \$76 million in 2001 and \$103 million in 2002 and thereafter.

The Company and its subsidiary companies are involved in lawsuits, claims, investigations and proceedings, including product liability, commercial, environmental, and health and safety matters, which are being handled and defended in the ordinary course of business. There are no such matters pending that the Company and its General Counsel expect to be material in relation to the Company's business, financial position or results of operations.

NOTE 11

FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and the estimated fair values of financial instruments at December 31, 1996 and 1995; () denotes liabilities:

| (in millions) | 1996 | | 1995 | |
|-----------------------------|-----------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Marketable securities: | | | | |
| Current | \$ 19 | \$ 19 | \$ 47 | \$47 |
| Long-term | 46 | 46 | 60 | 60 |
| Other investments | 59 | 78 | 55 | 55 |
| Long-term borrowings | (559) | (598) | (665) | (716) |
| Foreign currency swaps held | - | - | (66) | (66) |

The fair values of long-term borrowings were determined by reference to quoted market prices or by obtaining quotes from dealers. Marketable securities and other investments are valued at quoted market prices, except for \$31 million and \$34 million of equity investments included in other investments at December 31, 1996 and 1995, respectively, which are reflected at their carrying value because it is not practical to estimate fair value as quoted market prices do not exist. The fair values for the remaining financial instruments in the above table are based on dealer quotes and reflect the estimated amounts the Company would pay or receive to terminate the contracts. The carrying values of cash and cash equivalents, receivables, short-term borrowings and payables approximate their fair values.

The Company, as a result of its global operating and financial activities, is exposed to changes in interest rates and foreign currency exchange rates which may adversely affect its results of operations and financial position. In seeking to minimize the risks and/or costs associated with such activities, the Company manages exposure to changes in interest rates and foreign currency exchange rates through its regular operating and financing activities. In certain instances, the Company manages exposures to foreign currency exchange rate changes through foreign currency forward agreements with third parties. The Company does not utilize financial instruments for trading or other speculative purposes, nor does it utilize leveraged financial instruments.

The table below summarizes by major currency the notional amounts of foreign currency forward contracts in U.S. dollars. Foreign currency amounts are translated at rates current at the reporting date. The "buy" amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies, and the "sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies. Substantially all of the Company's foreign currency forward agreements will mature during 1997.

| (in millions) | 1996 | | 1995 | |
|-------------------|-------|-------|-------|-------|
| | Buy | Sell | Buy | Sell |
| British pound | \$ - | \$131 | \$ - | \$127 |
| Australian dollar | - | 68 | - | - |
| French franc | 82 | - | 35 | - |
| Spanish peseta | - | 61 | - | 12 |
| Swiss franc | 55 | - | 61 | - |
| Others | 91 | 201 | 58 | 7 |
| | ---- | ---- | ---- | ---- |
| Total | \$228 | \$461 | \$154 | \$146 |
| | ===== | ===== | ===== | ===== |

The Company's financial instrument counterparties are high quality investment or commercial banks with significant experience with such instruments. The Company manages exposure to counterparty credit risk through specific minimum credit standards and diversification of counterparties. The Company has procedures to monitor the credit exposure amounts.

NOTE 12**INCOME TAXES**

The components of earnings from continuing operations before income taxes and the related provision (benefit) for U.S. and other income taxes were as follows:

| (in millions) | 1996 | 1995 | 1994 |
|-------------------------------|---------|---------|---------|
| Earnings before income taxes | | | |
| U.S. | \$1,125 | \$1,262 | \$ 740 |
| Outside the U.S. | 431 | 664 | 262 |
| | ----- | ----- | ----- |
| Total | \$1,556 | \$1,926 | \$1,002 |
| | ===== | ===== | ===== |
| U.S. income taxes | | | |
| Current provision | \$ 286 | \$ 167 | \$ 339 |
| Deferred provision (benefit) | 7 | 224 | (116) |
| Income taxes outside the U.S. | | | |
| Current provision | 231 | 200 | 170 |
| Deferred (benefit) provision | (36) | 30 | (2) |
| State and other income taxes | | | |
| Current provision | 45 | 24 | 65 |
| Deferred provision (benefit) | 12 | 29 | (8) |
| | ----- | ----- | ----- |
| Total | \$ 545 | \$ 674 | \$ 448 |
| | ===== | ===== | ===== |

The components of earnings from consolidated operations before income taxes and the related provision (benefit) for U.S. and other income taxes were as follows:

| (in millions) | 1996 | 1995 | 1994 |
|--|---------|---------|---------|
| Earnings before income taxes | | | |
| U.S. | \$1,190 | \$1,262 | \$1,787 |
| Outside the U.S. | 431 | 664 | 623 |
| | ----- | ----- | ----- |
| Total | \$1,621 | \$1,926 | \$2,410 |
| | ===== | ===== | ===== |
| U.S. income taxes | | | |
| Current provision | \$ 206 | \$ 167 | \$1,430 |
| Deferred provision (benefit) | 15 | 224 | (293) |
| Income taxes outside the U.S. | | | |
| Current provision | 231 | 200 | 369 |
| Deferred (benefit) provision | (36) | 30 | (3) |
| State and other income taxes | | | |
| Current (benefit) provision | (95) | 24 | 358 |
| Deferred provision (benefit) | 12 | 29 | (8) |
| | ----- | ----- | ----- |
| Total | \$ 333 | \$ 674 | \$1,853 |
| | ===== | ===== | ===== |
| The components of consolidated income taxes were as follows: | | | |
| Continuing operations | \$ 545 | \$ 674 | \$ 448 |
| Discontinued operations | (212) | - | 1,506 |
| Extraordinary items | - | - | (101) |
| | ----- | ----- | ----- |
| Total | \$ 333 | \$ 674 | \$1,853 |
| | ===== | ===== | ===== |

The differences between the provision for income taxes and income taxes computed using the U.S. federal income tax rate for continuing operations were as follows:

| (in millions) | 1996 | 1995 | 1994 |
|---|-------|-------|-------|
| Amount computed using the statutory rate | \$545 | \$674 | \$351 |
| Increase (reduction) in taxes resulting from: | | | |
| State and other income taxes | 37 | 34 | 37 |
| Goodwill amortization | 21 | 38 | 26 |
| Export sales and manufacturing credits | (41) | (37) | (22) |
| Operations outside the U.S. | 6 | (34) | 43 |
| Other, net | (23) | (1) | 13 |
| | ----- | ----- | ----- |
| Provision for income taxes | \$545 | \$674 | \$448 |
| | ===== | ===== | ===== |

The significant components of deferred tax assets and liabilities were as follows:

| (in millions) | 1996 | 1995 |
|----------------------------|---------|---------|
| Deferred tax assets | | |
| Postemployment obligations | \$1,190 | \$1,208 |
| Restructuring programs | 178 | 140 |
| Inventories | 109 | 93 |
| Tax loss carryforwards | 128 | 185 |
| Other | 744 | 691 |
| | ----- | ----- |
| | 2,349 | 2,317 |
| Valuation allowance | (128) | (185) |
| | ----- | ----- |
| Total | \$2,221 | \$2,132 |
| | ===== | ===== |
| Deferred tax liabilities | | |
| Depreciation | \$ 678 | \$ 662 |
| U.S. pension income | 77 | - |
| Leasing | 349 | 385 |
| Other | 367 | 344 |
| | ----- | ----- |
| Total | \$1,471 | \$1,391 |
| | ===== | ===== |

The valuation allowance is primarily attributable to certain net operating loss carryforwards outside the U.S. A majority of the net operating loss carryforwards are subject to a five-year expiration period.

Retained earnings of subsidiary companies outside the U.S. were approximately \$1,466 million and \$1,924 million at December 31, 1996 and 1995, respectively. Retained earnings at December 31, 1996 are considered to be reinvested indefinitely. If remitted, they would be substantially free of additional tax. It is not practicable to determine the deferred tax liability for temporary differences related to these retained earnings.

NOTE 13

RESTRUCTURING COSTS

1996 Restructuring Program

In December 1996, the Company committed to implement a restructuring program and recorded a pre-tax provision of \$358 million (\$256 million after-tax). In addition, \$20 million of reserves from the 1993 restructuring program will be utilized for actions associated with the 1996 program. The principal purpose of the program is to eliminate infrastructure and operational inefficiencies and redundancies throughout the Company by taking actions to separate personnel, close facilities and exit from non-strategic businesses. A portion of the program includes the restructuring of retail and wholesale photofinishing operations, primarily outside the U.S. Additionally, the plan addressed certain infrastructure activities which supported the Office Imaging business, which was sold to Danka Business Systems PLC.

This program will result in the separation of 3,900 employees worldwide at a cost of \$260 million. Approximately 1,200 of the separations are expected to occur in the U.S. and 2,700 outside the U.S. Separations by functional area are as follows: 2,400 administrative and marketing, 1,300 services including photofinishing and 200 manufacturing. Most of the separations are expected to be completed by the end of 1997. Approximately \$118 million of the restructuring costs relate to business exits and facility closures. No significant amounts have been utilized in 1996.

1994 Restructuring Program

The Company recorded a pre-tax restructuring provision of \$340 million in 1994 for severance and other termination benefits and exit costs related to the realignment of the Company's worldwide manufacturing, marketing, administrative and photofinishing operations. In addition, \$50 million of reserves from the 1993 restructuring program were utilized for these actions. At December 31, 1996, substantially all of the personnel had been terminated with approximately \$60 million, \$260 million, and \$30 million being paid in 1996, 1995 and 1994, respectively. These amounts were spent substantially according to plan. The remaining accrual balance at December 31, 1996, in the amount of \$40 million, will primarily provide for severance, non-cancelable lease payments and business exit costs.

The funded status of Major Plans was as follows:
(in millions)

| | At December 31, | | | |
|--|-----------------|--------------|---------|--------------|
| | 1996 | | 1995 | |
| | U.S. | Non- U.S. | U.S. | Non- U.S. |
| Actuarial present value of benefit obligations | | | | |
| Vested benefits | \$5,159 | \$1,353 | \$5,238 | \$ 962 |
| | ===== | ===== | ===== | ===== |
| Accumulated benefits | \$5,477 | \$1,385 | \$5,522 | \$ 985 |
| | ===== | ===== | ===== | ===== |
| Projected benefits | \$6,425 | \$1,515 | \$6,586 | \$1,066 |
| Market value of assets | 6,709 | 1,618 | 6,070 | 992 |
| | ----- | ----- | ----- | ----- |
| Projected benefits (less than) in excess of plan assets | (284) | (103) | 516 | 74 |
| Unrecognized net (loss) gain | (90) | 21 | (828) | (102) |
| Unrecognized net transition asset | 398 | 64 | 464 | 58 |
| Unrecognized prior service cost | (134) | (49) | (163) | (57) |
| | ----- | ----- | ----- | ----- |
| Prepaid pension expense | \$ (110) | \$ (67) | \$ (11) | \$ (27) |
| | ===== | ===== | ===== | ===== |

The weighted assumptions used to compute pension amounts for Major Plans were as follows:

| | December 31, | | | |
|---|--------------|--------------|-------|--------------|
| | 1996 | | 1995 | |
| | U.S. | Non- U.S. | U.S. | Non- U.S. |
| Discount rate | 7.5% | 7.9% | 7.25% | 8.2% |
| Salary increase rate | 4.5% | 4.4% | 4.5% | 5.4% |
| Long-term rate of return on plan assets | 9.5% | 9.0% | 9.5% | 9.6% |

The annual cost of postretirement employee benefits is based on assumed discount rates. These rates are set relative to the general level of interest rates in the economy. As a result, significant year-to-year changes in interest rates can cause material year-to-year changes in assumed discount rates and employee benefit liabilities and costs based on those rates.

The Company also sponsors an unfunded plan for certain U.S. employees (primarily executives). The benefits of this plan are obtained by applying KRIP provisions to all compensation, including compensation currently being deferred, and without regard to the legislated qualified plan maximums, reduced by benefits under KRIP. At December 31, 1996 and 1995, the projected benefit obligations of this plan amounted to \$197 million and \$159 million, respectively. The Company had recorded long-term liabilities at those dates of \$179 million and \$143 million, respectively. Pension expense recorded in 1996, 1995 and 1994 related to this plan was \$24 million, \$17 million and \$17 million, respectively.

NOTE 15**NONPENSION POSTRETIREMENT BENEFITS**

The Company provides health care, dental and life insurance benefits to eligible retirees and eligible survivors of retirees. In general, these benefits are provided to U.S. retirees that are covered by the provisions of the Company's principal pension plan. A few of the Company's subsidiaries and branches operating outside the U.S. offer health care benefits; however, the cost of such benefits is insignificant to the Company.

Net nonpension postretirement benefit cost includes the following:

| (in millions) | 1996 | 1995 | 1994 |
|---------------------------------|--------|--------|--------|
| Service cost | \$ 25 | \$ 23 | \$ 26 |
| Interest cost | 166 | 183 | 192 |
| Net deferral and amortization | (62) | (58) | (35) |
| | ----- | ----- | ----- |
| Net postretirement benefit cost | \$ 129 | \$ 148 | \$ 183 |
| | ===== | ===== | ===== |

The total obligation and amount recognized in the Consolidated Statement of Financial Position at December 31, 1996 and 1995, were as follows:

| (in millions) | 1996 | 1995 |
|---|---------|---------|
| Accumulated postretirement benefit obligation | | |
| Retirees | \$1,801 | \$1,994 |
| Fully eligible active plan participants | 31 | 38 |
| Other active plan participants | 449 | 566 |
| | ----- | ----- |
| Total obligation | 2,281 | 2,598 |
| Unrecognized net loss | (278) | (465) |
| Unrecognized negative plan amendment | 779 | 781 |
| | ----- | ----- |
| Accrued postretirement benefit obligation | \$2,782 | \$2,914 |
| | ===== | ===== |

To estimate this obligation, health care costs were assumed to increase 8% in 1997 with the rate of increase declining to an ultimate trend of 5% in 2002. If the health care cost trend rates were increased by one percentage point, the accumulated postretirement benefit obligation, as of December 31, 1996, would increase by approximately \$90 million while the net postretirement benefit cost for the year then ended would increase by approximately \$9 million. The discount rates utilized to measure the obligation at December 31, 1996 and 1995, were 7.5% and 7.25%, respectively. The annual costs of employee benefits related to postretirement are based on assumed discount rates set relative to the general level of interest rates in the economy. As a result, significant year-to-year changes in interest rates can cause material year-to-year changes in assumed discount rates and employee benefit liabilities and costs based on these rates. The Company recorded a \$97 million curtailment gain in 1996 as a result of the sale of the Office Imaging business, which is included in the loss on the sale.

NOTE 16

STOCK OPTION AND COMPENSATION PLANS

The Company's stock incentive plans consist of the 1995 Omnibus Long-Term Compensation Plan (the 1995 Plan), the 1990 Omnibus Long-Term Compensation Plan (the 1990 Plan) and the 1985 Stock Option Plan (the 1985 Plan). The Plans are administered by the Executive Compensation and Development Committee of the Board of Directors.

Under the 1995 Plan, 16 million shares of the Company's common stock may be granted to a variety of employees between February 1, 1995 and December 31, 1999. Option prices are not less than 100 percent of the per share fair market value on the date of grant, and the options generally expire 10 years from the dates of grant, but may expire sooner if the optionee's employment terminates. The 1995 Plan also provides for Stock Appreciation Rights (SARs) to be granted, either in tandem with options or freestanding. SARs allow optionees to receive payment equal to the difference between the Company's stock market price on grant date and exercise date. At December 31, 1996, 346,650 freestanding SARs were outstanding at option prices ranging from \$56.31 to \$83.19.

Under the 1990 Plan, 16 million shares of the Company's common stock could be granted to key employees between February 1, 1990 and January 31, 1995. Option prices could not be less than 50 percent of the per share fair market value on the date of grant; however, no options below fair market value were granted. The options generally expire 10 years from the dates of grant, but may expire sooner if the optionee's employment terminates. The 1990 Plan also provided that options with dividend equivalents, tandem SARs and freestanding SARs could be granted. At December 31, 1996, 113,702 tandem SARs and 260,931 freestanding SARs were outstanding at option prices ranging from \$31.45 to \$44.50.

Under the 1985 Plan, approximately 1.7 million options, 181,860 tandem SARs and 34,900 freestanding SARs were outstanding at December 31, 1996, at option prices ranging from \$33.79 to \$39.53. The 1985 Plan terms are similar to the 1995 Plan terms.

Further information relating to options is as follows:

| | Shares Under Option | Range of Price Per Share |
|-------------------------------------|------------------------|-----------------------------|
| Outstanding on December 31, 1995 | 21,198,746 | \$30.25 - \$69.50 |
| Granted | 3,359,338 | \$68.00 - \$83.44 |
| Exercised | 3,410,660 | \$30.25 - \$71.81 |
| Terminated, Canceled or Surrendered | 292,986 | \$31.45 - \$75.69 |
| Outstanding on December 31, 1996 | 20,854,438 | \$30.25 - \$83.44 |
| Exercisable on December 31, 1996 | 15,103,173 | \$30.25 - \$69.50 |

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25), in accounting for employee stock options. Accordingly, no compensation expense has been recognized for stock option plans.

Pro forma net earnings and earnings per share information, as required by SFAS No. 123, "Accounting for Stock-Based Compensation," has been determined as if the Company had accounted for employee stock options under SFAS No. 123's fair value method. The fair value of these options was estimated at grant date using a Black-Scholes option pricing model with the following weighted-average assumptions for 1996 and 1995, respectively: dividend yields of 2.25% and 3%; volatility factors of the expected market price of the Company's common stock of 25%; an expected option life of 7 years; and the 7 year U.S. treasury interest rate on the grant dates. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period (3 years). The Company's pro forma information follows:

| (in millions, except per share data) | 1996 | 1995 |
|--------------------------------------|---------|---------|
| Pro Forma Net Earnings | \$1,262 | \$1,242 |
| Pro Forma Earnings Per Share | \$ 3.74 | \$ 3.64 |

This disclosure is not likely to be representative of the effects on reported net earnings for future years, because options vest over three years and additional awards generally are made each year.

The weighted-average fair value of options granted was \$22.84 and \$17.43 for 1996 and 1995, respectively.

The Company recognized compensation expense of \$31 million, \$70 million and \$10 million related to stock-based employee compensation awards in 1996, 1995 and 1994, respectively.

NOTE 17**SEGMENT INFORMATION**

The Company's business consists of two segments: Consumer Imaging and Commercial Imaging. The Consumer Imaging segment includes amateur films, photographic papers, chemicals and equipment for photographic imaging and photofinishing operations. The Commercial Imaging segment includes x-ray, motion picture, professional and graphic arts films, microfilms, copiers, printers and other equipment for information management. Sales between segments are made on a basis intended to reflect the market value of the products.

Sales are reported in the geographic area where they originate. Transfers among geographic areas are made on a basis intended to reflect the market value of the products, recognizing prevailing market prices and distributor discounts.

The parent company's equity in the net assets of subsidiaries outside the U.S. was as follows:

| (in millions) | 1996 | 1995 | 1994 |
|---------------|---------|---------|---------|
| Net assets | \$2,927 | \$2,980 | \$3,057 |
| | ===== | ===== | ===== |

SEGMENT INFORMATION (continued)

Financial information by geographic areas is as follows:

| (in millions) | Europe, United States | Middle East & Africa* | Canada Asia Pacific* | & Latin America | Elimi- nations | Consol- idated |
|--|-----------------------------|-----------------------------|----------------------------|-----------------------|-------------------|-------------------|
| 1996 | | | | | | |
| Sales to customers | \$ 7,453 | \$4,664 | \$2,453 | \$1,398 | | \$15,968 |
| Transfers among geographic areas | 3,065 | 228 | 79 | 632 | \$(4,004) | - |
| Total sales | \$10,518 | \$4,892 | \$2,532 | \$2,030 | \$(4,004) | \$15,968 |
| Earnings from operations | \$ 1,173 | \$ 497 | \$ 96 | \$ 79 | \$ - | \$ 1,845 |
| Assets by geographic areas | \$ 9,162 | \$3,036 | \$1,543 | \$1,161 | \$ (464) | \$14,438 |
| 1995 | | | | | | |
| Sales to customers | \$ 6,978 | \$4,391 | \$2,286 | \$1,325 | | \$14,980 |
| Transfers among geographic areas | 2,725 | 229 | 74 | 555 | \$(3,583) | - |
| Total sales | \$ 9,703 | \$4,620 | \$2,360 | \$1,880 | \$(3,583) | \$14,980 |
| Earnings from operations | \$ 1,153 | \$ 499 | \$ 152 | \$ 137 | \$ - | \$ 1,941 |
| Assets by geographic areas | \$ 9,266 | \$3,036 | \$1,624 | \$1,354 | \$ (803) | \$14,477 |
| 1994 | | | | | | |
| Sales to customers from continuing operations | \$ 6,434 | \$3,832 | \$2,025 | \$1,266 | | \$13,557 |
| Transfers among geographic areas | 2,547 | 277 | 117 | 456 | \$(3,397) | - |
| Total sales | \$ 8,981 | \$4,109 | \$2,142 | \$1,722 | \$(3,397) | \$13,557 |
| Earnings (loss) from operations from continuing operations | \$ 884 | \$ 315 | \$ (17) | \$ 130 | \$ (3) | \$ 1,309 |
| Assets by geographic areas | \$10,131 | \$3,154 | \$1,658 | \$1,342 | \$(1,317) | \$14,968 |

* Financial information for the Middle East and Africa is now shown with Europe instead of with Asia Pacific. 1994 and 1995 data have been restated to conform to the 1996 presentation.

| SEGMENT INFORMATION (continued) (in millions) | 1996 | 1995 | 1994 |
|---|----------|----------|----------|
| Sales from continuing operations, including intersegment sales | | | |
| Consumer Imaging | \$ 7,659 | \$ 6,830 | \$ 5,919 |
| Commercial Imaging | 8,340 | 8,184 | 7,646 |
| Intersegment sales | (31) | (34) | (8) |
| | ----- | ----- | ----- |
| Total sales from continuing operations | \$15,968 | \$14,980 | \$13,557 |
| | ===== | ===== | ===== |
| Earnings from operations from continuing operations (1) | | | |
| Consumer Imaging | \$ 1,141 | \$ 1,254 | \$ 878 |
| Commercial Imaging | 704 | 687 | 431 |
| | ----- | ----- | ----- |
| Total earnings from operations from continuing operations | 1,845 | 1,941 | 1,309 |
| Other revenues and charges | | | |
| Consumer Imaging | 51 | 35 | (78) |
| Commercial Imaging | (316) | (36) | (115) |
| Corporate | 59 | 64 | 28 |
| Interest expense | 83 | 78 | 142 |
| | ----- | ----- | ----- |
| Earnings before income taxes | \$ 1,556 | \$ 1,926 | \$ 1,002 |
| | ===== | ===== | ===== |
| Assets | | | |
| Consumer Imaging | \$ 5,846 | \$ 4,913 | \$ 4,873 |
| Commercial Imaging | 5,921 | 6,889 | 6,811 |
| Corporate | 2,671 | 2,675 | 3,284 |
| | ----- | ----- | ----- |
| Total assets at year end | \$14,438 | \$14,477 | \$14,968 |
| | ===== | ===== | ===== |
| Depreciation expense | | | |
| Consumer Imaging | \$ 344 | \$ 311 | \$ 335 |
| Commercial Imaging | 493 | 496 | 501 |
| | ----- | ----- | ----- |
| Total depreciation expense | \$ 837 | \$ 807 | \$ 836 |
| | ===== | ===== | ===== |
| Amortization of goodwill | | | |
| Consumer Imaging | \$ 43 | \$ 43 | \$ 25 |
| Commercial Imaging | 23 | 66 | 42 |
| | ----- | ----- | ----- |
| Total amortization of goodwill | \$ 66 | \$ 109 | \$ 67 |
| | ===== | ===== | ===== |
| Capital additions | | | |
| Consumer Imaging | \$ 599 | \$ 436 | \$ 489 |
| Commercial Imaging | 742 | 598 | 664 |
| | ----- | ----- | ----- |
| Total capital additions | \$ 1,341 | \$ 1,034 | \$ 1,153 |
| | ===== | ===== | ===== |

(1) Earnings from operations are shown after deducting restructuring costs of:

| | 1996 | 1995 | 1994 |
|--------------------|-------|------|-------|
| Consumer Imaging | \$183 | \$ - | \$190 |
| Commercial Imaging | 175 | - | 150 |

QUARTERLY SALES AND EARNINGS DATA - UNAUDITED

| | 4th Qtr. | 3rd Qtr. | 2nd Qtr. | 1st Qtr. |
|--|--------------------------------------|----------|----------|----------|
| | (in millions, except per share data) | | | |
| 1996 | | | | |
| Sales | \$4,314 | \$4,149 | \$4,117 | \$3,388 |
| Gross profit | 2,016 | 1,997 | 2,017 | 1,612 |
| Earnings (loss) from continuing operations | (113)(1) | 410 | 440 | 274 |
| Earnings from discontinued operations | 277 | - | - | - |
| Net earnings | 164 (1) | 410 | 440 | 274 |
| Earnings (loss) per share from continuing operations (2) | (.34) | 1.22 | 1.30 | .80 |
| Earnings per share from discontinued operations (2) | .83 | - | - | - |
| Earnings per share (2) | .49 | 1.22 | 1.30 | .80 |

1995

| | | | | |
|--------------------|---------|---------|---------|---------|
| Sales | \$4,092 | \$3,813 | \$3,938 | \$3,137 |
| Gross profit | 1,760 | 1,826 | 1,908 | 1,524 |
| Net earnings | 275 | 338 | 377 | 262 |
| Earnings per share | .80 | .99 | 1.11 | .77 |

(1) After deducting \$358 million of restructuring costs, which reduced net earnings by \$256 million, and a \$387 million loss related to the sale of the Office Imaging business, which reduced net earnings by \$252 million.

(2) Each quarter is calculated as a discrete period and the sum of the four quarters does not equal the full year amount.

SUMMARY OF OPERATING DATA

Eastman Kodak Company and Subsidiary Companies

(Dollar amounts and shares in millions, except per share data)

| | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|----------|----------|----------|------------|----------|
| Sales from continuing operations | \$15,968 | \$14,980 | \$13,557 | \$12,670 | \$12,992 |
| Earnings from operations before extraordinary items and cumulative effect of changes in accounting principle: | | | | | |
| Continuing | 1,011(1) | 1,252 | 554(3) | 644 (4) | 845(6) |
| Discontinued | 277 | - | 269 | 23 (4) | 149(6) |
| Net earnings (loss) | 1,288(1) | 1,252 | 557(3) | (1,515)(4) | 1,146(6) |
| | | | | (5) | (7) |
| EARNINGS AND DIVIDENDS | | | | | |
| Net earnings - percent of sales | 8.1% | 8.4% | 4.1% | (12.0%) | 8.8% |
| - percent return on average shareholders' equity | 26.1% | 27.4% | 15.1% | (30.6%) | 18.1% |
| Earnings from continuing operations per share (8) | 3.00 | 3.67 | 1.65 | 1.95 | 2.60 |
| Net earnings (loss) per share (8) | 3.82 | 3.67 | 1.66 | (4.62) | 3.53 |
| Cash dividends declared | | | | | |
| - on common shares | 539 | 547 | 537 | 657 | 650 |
| - per common share | 1.60 | 1.60 | 1.60 | 2.00 | 2.00 |
| Common shares outstanding at year end | 331.8 | 345.9 | 339.8 | 330.6 | 325.9 |
| Shareholders at year end | 137,092 | 143,574 | 151,349 | 157,797 | 166,532 |

STATEMENT OF FINANCIAL POSITION DATA

| | | | | | |
|----------------------------|----------|----------|----------|----------|--------|
| Working capital | \$ 1,548 | \$ 2,666 | \$ 1,948 | \$ 2,696 | \$ 545 |
| Properties - net | 5,422 | 5,377 | 5,292 | 5,027 | 5,520 |
| Total assets | 14,438 | 14,477 | 14,968 | 18,810 | 19,038 |
| Long-term borrowings | 559 | 665 | 660 | 6,727 | 5,259 |
| Total shareholders' equity | 4,734 | 5,121 | 4,017 | 3,356 | 6,557 |

SUPPLEMENTAL INFORMATION

| | | | | | |
|--|-----------|----------|----------|----------|----------|
| Sales - Consumer Imaging | \$ 7,659 | \$ 6,830 | \$ 5,919 | \$ 5,292 | \$ 5,414 |
| - Commercial Imaging | 8,340 | 8,184 | 7,646 | 7,382 | 7,592 |
| Research and development costs | 1,028 | 935 | 859 | 864 | 988 |
| Depreciation | 837 | 807 | 836 | 817 | 936 |
| Taxes (excludes payroll, sales, and excise taxes) | 663 | 796 | 567 | 545 | 584 |
| Wages, salaries, and employee benefits | 5,110 | 5,025 | 4,690 | 4,679 | 4,653 |
| Employees at year end | | | | | |
| - in the U.S. | 53,400(2) | 54,400 | 54,300 | 49,100 | 50,900 |
| - worldwide | 94,800(2) | 96,600 | 96,300 | 91,800 | 95,200 |

- (1) After deducting \$358 million of restructuring costs, which reduced net earnings by \$256 million, and a \$387 million loss related to the sale of the Office Imaging business, which reduced net earnings by \$252 million.
- (2) Excludes approximately 10,000 employees worldwide and 5,800 employees in the U.S. who were transferred to Danka Business Systems PLC.
- (3) After deducting \$340 million of restructuring costs from continuing operations, which reduced net earnings by \$254 million, and a \$110 million loss on the extinguishment of certain financial instruments, which reduced net earnings by \$80 million. Net earnings were also reduced by \$266 million of extraordinary losses related to the early extinguishment of debt.
- (4) After deducting \$495 million of restructuring costs from continuing operations, which reduced net earnings by \$353 million, and \$55 million of restructuring costs from discontinued operations, which reduced net earnings by \$34 million.
- (5) The net loss for 1993 was due to an after-tax charge of \$2.17 billion from the cumulative effect of adopting SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS No. 112, "Employers' Accounting for Postemployment Benefits."
- (6) After deducting \$219 million of restructuring costs from continuing operations, which reduced net earnings by \$140 million, and \$1 million of restructuring costs from discontinued operations, which reduced net earnings by less than \$1 million.
- (7) Net earnings for 1992 benefited by \$152 million from the cumulative effect of adopting SFAS No. 109, "Accounting for Income Taxes."
- (8) Based on average number of shares outstanding.

PART III

ITEMS 10(a), 11 AND 12. DIRECTORS OF THE REGISTRANT

EXECUTIVE COMPENSATION SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Responses to the above items, as contained in the Notice of 1997 Annual Meeting and Proxy Statement, which will be filed within 120 days of the Company's fiscal year end, are hereby incorporated by reference in this Annual Report on Form 10-K.

ITEM 10(b). EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers list is contained in PART I under the caption "Executive Officers of the Registrant" on page 6.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None to report.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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| (a) 1. Consolidated financial statements: | |
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| Consolidated statement of earnings | 13 |
| Consolidated statement of financial position | 14 |
| Consolidated statement of shareholders' equity | 15 |
| Consolidated statement of cash flows | 16-17 |
| Notes to financial statements | 18-36 |
| 2. Financial statement schedules: | |
| II - Valuation and qualifying accounts | 41 |

All other schedules have been omitted because they are not applicable or the information required is shown in the financial statements or notes thereto.

3. Additional data required to be furnished:

Exhibits required as part of this report are listed in the index appearing on pages 42 through 44. The management contracts and compensatory plans and arrangements required to be filed as exhibits to this form pursuant to Item 14(c) of this report are listed on pages 42 through 44, Exhibit Numbers (10)A - (10)O.

(b) Report on Form 8-K.

No reports on Form 8-K were filed or required to be filed during the quarter ended December 31, 1996.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

By:
George M. C. Fisher, Chairman
and Chief Executive Officer

By:
Harry L. Kavetas, Chief
Financial Officer and
Executive Vice President

David J. FitzPatrick, Controller and Vice President

Date: March 13, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Richard S. Braddock, Director Paul E. Gray, Director

Martha Layne Collins, Director Karlheinz Kaske, Director

Alice F. Emerson, Director John J. Phelan, Jr., Director

George M. C. Fisher, Director Richard A. Zimmerman, Director

Roberto C. Goizueta, Director

Date: March 13, 1997

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Form S-3 (No. 33-48258, No. 33-49285 and No. 33-64453), Form S-4 (No. 33-48891), and Form S-8 (No. 33-5803, No. 33-35214, No. 33-56499, No. 33-65033 and No. 33-65035) of Eastman Kodak Company of our report dated January 15, 1997, appearing on page 12 of this Annual Report on Form 10-K.

PRICE WATERHOUSE LLP

Rochester, New York

March 13, 1997

Eastman Kodak Company and Subsidiary Companies

Valuation and Qualifying Accounts
(in millions)

| | Balance at Beginning of Period | Additions Charged to Earnings | Deductions Amounts Written Off | Balance at End of Period |
|---|--------------------------------------|-------------------------------------|--------------------------------------|--------------------------------|
| Year ended December 31, 1996 | | | | |
| Deducted in the Statement of Financial Position: | | | | |
| From Current Receivables | | | | |
| Reserve for doubtful accounts | \$ 85 | \$53 | \$68 | \$ 70 |
| Reserve for loss on returns and allowances | 19 | 10 | 9 | 20 |
| | ---- | --- | --- | ---- |
| TOTAL | \$104 | \$63 | \$77 | \$ 90 |
| | ===== | === | === | ===== |
| From Long-Term Receivables and Other Noncurrent Assets | | | | |
| Reserve for doubtful accounts | \$ 14 | \$ 3 | \$11 | \$ 6 |
| | ===== | === | === | ===== |
| Year ended December 31, 1995 | | | | |
| Deducted in the Statement of Financial Position: | | | | |
| From Current Receivables | | | | |
| Reserve for doubtful accounts | \$105 | \$57 | \$77 | \$ 85 |
| Reserve for loss on returns and allowances | 15 | 13 | 9 | 19 |
| | ---- | --- | --- | ---- |
| TOTAL | \$120 | \$70 | \$86 | \$104 |
| | ===== | === | === | ===== |
| From Long-Term Receivables and Other Noncurrent Assets | | | | |
| Reserve for doubtful accounts | \$ 18 | \$10 | \$14 | \$ 14 |
| | ===== | === | === | ===== |
| Year ended December 31, 1994 | | | | |
| Deducted in the Statement of Financial Position: | | | | |
| From Current Receivables | | | | |
| Reserve for doubtful accounts | \$ 82 | \$80 | \$57 | \$105 |
| Reserve for loss on returns and allowances | 10 | 5 | - | 15 |
| | ---- | --- | --- | ---- |
| TOTAL | \$ 92 | \$85 | \$57 | \$120 |
| | ===== | === | === | ===== |
| From Long-Term Receivables and Other Noncurrent Assets | | | | |
| Reserve for doubtful accounts | \$ 20 | \$ 8 | \$10 | \$ 18 |
| | ===== | === | === | ===== |

Eastman Kodak Company and Subsidiary Companies
Index to Exhibits

Exhibit
Number

Page

- (3) A. Certificate of Incorporation.
(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 25, 1988, Exhibit 3.)
- B. By-laws, as amended through September 11, 1992.
(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1992, Exhibit 3.)
- (4) A. Indenture dated as of June 15, 1986 between Eastman Kodak Company as issuer of 8.55% Notes due 1997 and The Bank of New York as Trustee.
(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 28, 1986, Exhibit 4.)
- B. Indenture dated as of January 1, 1988 between Eastman Kodak Company as issuer of (i) 9 3/8% Notes Due 2003, (ii) 9.95% Debentures Due 2018, (iii) 9 1/2% Notes Due 2008, (iv) 9.20% Debentures Due 2021, and (v) 7 1/4% Notes Due 1999, and The Bank of New York as Trustee.
(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 25, 1988, Exhibit 4.)
- C. First Supplemental Indenture dated as of September 6, 1991 and Second Supplemental Indenture dated as of September 20, 1991, each between Eastman Kodak Company and The Bank of New York as Trustee, supplementing the Indenture described in B.
(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Exhibit 4.)
- D. Third Supplemental Indenture dated as of January 26, 1993, between Eastman Kodak Company and The Bank of New York as Trustee, supplementing the Indenture described in B.
(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1992, Exhibit 4.)
- E. Fourth Supplemental Indenture dated as of March 1, 1993, between Eastman Kodak Company and The Bank of New York as Trustee, supplementing the Indenture described in B.
(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
- Eastman Kodak Company and certain subsidiaries are parties to instruments defining the rights of holders of long-term debt that was not registered under the Securities Act of 1933. Eastman Kodak Company has undertaken to furnish a copy of these instruments to the Securities and Exchange Commission upon request.
- (10) A. Eastman Kodak Company Retirement Plan for Directors, as amended effective January 1, 1996.
(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
- B. Eastman Kodak Company Insurance Plan for Directors.
(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 29, 1985, Exhibit 10.)
- C. Eastman Kodak Company Deferred Compensation Plan for Directors, as amended effective November 1, 1996.
- D. Eastman Kodak Company 1985 Long-Term Performance Award Plan, as amended effective December 31, 1993.
(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)

Eastman Kodak Company and Subsidiary Companies
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| E. 1982 Eastman Kodak Company Executive Deferred Compensation Plan, as amended effective November 1, 1996. | 55 |
| F. Eastman Kodak Company 1985 Stock Option Plan, as amended effective November 1, 1996. | 71 |
| G. Eastman Kodak Company 1990 Omnibus Long-Term Compensation Plan, as amended effective November 1, 1996. | 77 |
| H. Eastman Kodak Company Management Variable Compensation Plan, effective as of November 1, 1996. | 91 |
| I. Eastman Kodak Company 1995 Omnibus Long-Term Compensation Plan, effective as of November 1, 1996. | 106 |
| J. Kodak Executive Financial Counseling Program. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1992, Exhibit 10.) | |
| K. Personal Umbrella Liability Insurance Coverage. Eastman Kodak Company provides \$5,000,000 personal umbrella liability insurance coverage to its directors and approximately 160 key executives. The coverage, which is insured through The Mayflower Insurance Company, Ltd., supplements participants' personal coverage. The Company pays the cost of this insurance. Income is imputed to participants. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1995.) | |
| L. Kodak Executive Health Management Plan, as amended effective January 1, 1995. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1995.) | |
| M. Wilbur J. Prezzano Retention Agreement dated September 3, 1993, as subsequently amended on January 3, 1995. (Incorporated by reference to the Eastman Kodak Company Annual Reports on Form 10-K for the fiscal years ended December 31, 1993 and December 31, 1994.) | |
| N. George M. C. Fisher Employment Agreement dated October 27, 1993. \$4,000,000 Promissory Note dated November 2, 1993. \$4,284,400 Promissory Note dated November 2, 1993. Notice of Award of Restricted Stock dated November 11, 1993, as amended. Notice of Award of Incentive Stock Options dated November 11, 1993. Notice of Award of Non-Qualified Stock Options dated November 11, 1993. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1993.) | |
| Amendment No. 1 to Employment Agreement dated as of April 4, 1994. (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1994, Exhibit 10.) | |
| Amendment No. 2 to Employment Agreement dated as of February 25, 1997. Notice of Award of Restricted Stock dated February 25, 1997. Notice of Award of Incentive Stock Options dated February 25, 1997. Notice of Award of Non-Qualified Stock Options dated February 25, 1997. | 130 |

Eastman Kodak Company and Subsidiary Companies
Index to Exhibits (continued)

| Exhibit Number | | Page |
|-------------------|---|------|
| | O. Harry L. Kavetas Employment Agreement dated as of February 11, 1994, Notice of Award of Non-Qualified Stock Options, Notice of Award of Incentive Stock Options, and Notice of Award of Restricted Stock, each dated February 15, 1994. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1994.) | |
| | Amendment No. 1 to Employment Agreement dated as of January 21, 1997. | 145 |
| | Amendment No. 2 to Employment Agreement dated as of March 3, 1997. Notice of Award of Restricted Stock dated March 4, 1997. Notice of Award of Incentive Stock Options dated March 4, 1997. Notice of Award of Non-Qualified Stock Options dated March 4, 1997 under the Eastman Kodak Company 1995 Omnibus Long-Term Compensation Plan. Notice of Award of Non-Qualified Stock Options dated March 4, 1997 under the Eastman Kodak Company 1997 Stock Option Plan. | 148 |
| (11) | Statement Re Computation of Earnings Per Common Share. | 184 |
| (12) | Statement Re Computation of Ratio of Earnings to Fixed Charges. | 185 |
| (21) | Subsidiaries of Eastman Kodak Company. | 186 |
| (23) | Consent of Independent Accountants. | 40 |
| (27) | Financial Data Schedule - Submitted with the EDGAR filing as a second document to this Form 10-K. | |

(99) Eastman Kodak Employees' Savings and Investment Plan Annual Report on Form 11-K for the fiscal year ended December 30, 1996 (to be filed by amendment).

Exhibit (10) C.

EASTMAN KODAK COMPANY

DEFERRED COMPENSATION PLAN FOR DIRECTORS

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Amended and Restated
Effective November 1, 1996

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EASTMAN KODAK COMPANY

DEFERRED COMPENSATION PLAN FOR DIRECTORS

Preamble.

The name of this Plan is the Eastman Kodak Company Deferred Compensation Plan for Directors. Its purpose is to provide certain members of the Board of Directors of Eastman Kodak Company with an opportunity to defer compensation earned as a Director.

Article 1. Definitions

1.1 Account

"Account" means the Deferred Compensation Account or the Stock Account.

1.2 Administrator

"Administrator" means the Controller of Kodak.

1.3 Beneficiary

"Beneficiary" means the person or persons (including, but not limited to, a trust) designated as such in accordance with Section 8.5(C).

1.4 Board

"Board" means Board of Directors of Kodak.

1.5 Change in Control

"Change in Control" means a change in control of Kodak of a nature that would be required to be reported (assuming such event has not been "previously reported") in response to Item 1(a) of the Current Report of Form 8-K, as in effect on August 1, 1989, pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); provided that, without limitation, a Change in Control shall be deemed to have occurred at such time as (i) any "person" within the meaning of Section 14(d) of the Exchange Act is or has become the "beneficial owner" as defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of 25% or more of the combined voting power of the outstanding securities of Kodak ordinarily having the right to vote at the election of directors ("Voting Securities"), or (ii) individuals who constitute the Board of Directors of Kodak on March 1, 1990 (the "Incumbent Board") have ceased for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to March 1, 1990 whose election, or nomination for election by Kodak's stockholders, was approved by a vote of at least three-quarters (3/4) of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of Kodak in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this clause (ii), considered as though such person were a member of the Incumbent Board.

1.6 Common Stock

"Common Stock" means the common stock of Kodak.

1.7 Deferrable Amount

"Deferrable Amount" means the amount of cash compensation otherwise payable to a Participant (exclusive of expense reimbursements) for serving on the Board and attending meetings or committee meetings thereof.

1.8 Deferred Compensation Account

"Deferred Compensation Account" means the account established by Kodak for each Participant for compensation deferred pursuant to this Plan. The maintenance of individual Deferred Compensation Accounts is for bookkeeping purposes only.

1.9 Enrollment Period

"Enrollment Period" means the period designated by the Administrator each year; provided however, that the Enrollment Period for a given calendar year shall always commence and end in the year immediately prior to such calendar year.

1.10 Interest Rate

"Interest Rate" means the base rate, as reported in the "Money Rates" section of The Wall Street Journal, on corporate loans posted by at least 75% of the nation's 30 largest banks (known as the "Prime Rate").

1.11 Kodak

"Kodak" means Eastman Kodak Company.

1.12 Market Value

"Market Value" means the mean between the high and low at which the Common Stock trades as quoted in the New York Stock Exchange Composite Transactions as published in The Wall Street Journal on the day for which the determination is to be made or, if such day is not a trading day, the immediately preceding trading day.

1.13 Plan

"Plan" means the Eastman Kodak Company Deferred Compensation Plan For Directors as adopted by the Board and amended.

1.14 Participant

"Participant" means (i) any member of the Board who is not an employee of Kodak; or (ii) any former member of the Board who has a balance in an Account under the Plan.

1.15 Stock Account

"Stock Account" means the account established by Kodak for each Participant, the performance of which shall be measured by reference to the Market Value of Common Stock. The maintenance of individual Stock Accounts is for bookkeeping purposes only.

1.16 Valuation Date

"Valuation Date" means, with regards to a Participant's Deferred Compensation Account, the last day of each calendar month and, with regards to the Participant's Stock Account, the last business day of each calendar month.

Article 2. Term

The Plan became effective January 1, 1979.

Article 3. Participation

Only Participants shall be eligible to participate in the Plan.

Article 4. Deferral of Compensation

For any given calendar year, a Participant may make a deferral election, in accordance with the requirements of Article 5 below, to defer receipt of all or any portion of his or her Deferrable Amount to be earned during such year into his or her Accounts. Any Deferrable Amount which is so deferred shall be credited to the Participant's Accounts in accordance with Article 6 below.

Article 5. Deferral Elections

5.1 In General

A Participant may make a deferral election to defer compensation by executing and returning to the Administrator in accordance with this Article 5 a deferred compensation form provided by Kodak.

5.2 Timing

A Participant who wishes to make a deferral election must irrevocably elect to do during an Enrollment Period. Such election shall be effective for the calendar year immediately following the Enrollment Period during which such election was made and for all succeeding calendar years, unless the Participant revokes his or her election or files a new election during the Enrollment Period for such a succeeding calendar year. In which case, such revocation or election, as the case may be, shall be effective on the first day of such succeeding calendar year.

5.3 Irrevocability

Deferral elections made under this Plan with respect to any calendar year will be final and, after the close of the Enrollment Period for such calendar year, may not be revoked or amended in any manner until the Enrollment Period for a succeeding calendar. In which case, such revocation or amendment, as the case may be, shall be effective on the first day of such succeeding calendar year.

5.4 Elections

A deferred compensation form filed by a Participant during an Enrollment Period shall indicate: (1) the amount of the Deferrable Amount to be deferred; and (2) the allocation in whole percentages of the deferred Deferrable Amount between the Deferred Compensation Account and the Stock Account.

Article 6. Hypothetical Investments

6.1 Deferred Compensation Account

Amounts in a Participant's Deferred Compensation Account are hypothetically invested in an interest bearing account which bears interest computed at the Interest Rate, compounded monthly.

6.2 Stock Account

Amounts in a Participant's Stock Account are hypothetically invested in units of Common Stock. Amounts transferred to a Stock Account are recorded as units of Common Stock, and fractions thereof, with one unit equating to a single share of Common Stock. Thus, the value of one unit shall be the Market Value of a single share of Common Stock. The use of units is merely a bookkeeping convenience; the units are not actual shares of Common Stock. Kodak will not reserve or otherwise set aside any Common Stock for or to any Stock Account.

6.3 Time Accounts are Credited

Amounts to be deferred shall be credited to the Participant's Accounts on the date such amounts would otherwise be payable.

6.4 Stock Account Crediting

A. If a Participant makes an election to defer into his or her Stock Account pursuant to Section 5.4 above, the Stock Account of the Participant shall, for so long as the election remains in effect, be credited with that number of units of Common Stock, and fractions thereof, determined in accordance with Section 6.4(B) immediately below as of each applicable date specified in Section 6.3 above.

B. In accordance with Section 6.4(A) above, the Stock Account of a Participant shall be credited with that number of units of Common Stock, and fractions thereof, equal to the number of full and fractional shares of Common Stock, that could be purchased with the dollar amount that would otherwise be paid to the Participant but for his or her election to defer into the Stock Account using the Market Value of the Common Stock as of the applicable date specified in Section 6.3 above.

Article 7. Investment Elections

7.1 Elections

A Participant may make an investment election to direct that all or any portion, designated as a whole percentage, of the existing balance of one of his or her Accounts be transferred to his or her other Account, effective as of the close of business on the last day of any calendar month (hereinafter the election's "Effective Date"), by filing a written election with the Administrator on or prior to such date.

7.2 Election into the Stock Account

If a Participant makes an investment election pursuant to Section 7.1 to transfer an amount from his or her Deferred Compensation Account to his or her Stock Account, effective as of the election's Effective Date, (i) his or her Stock Account shall be credited with that number of units of Common Stock, and fractions thereof, obtained by dividing the dollar amount elected to be transferred by the Market Value of the Common Stock on the Valuation Date immediately preceding or coincident with the election's Effective Date; and (ii) his or her Deferred Compensation Account shall be reduced by the amount elected to be transferred.

7.3 Election out of the Stock Account

If a Participant makes an investment election pursuant to Section 7.1 to transfer an amount from his or her Stock Account to his or her Deferred Compensation Account, effective as of the election's Effective Date, (i) his or her Deferred Compensation Account shall be credited with a dollar amount equal to the amount obtained by multiplying the number of units to be transferred by the Market Value of the Common Stock on the Valuation Date immediately preceding or coincident with the election's Effective Date; and (ii) his or her Stock Account shall be reduced by the number of units elected to be transferred.

7.4 Dividend Equivalents

Effective as of the payment date for each cash dividend on the Common Stock, additional units of Common Stock shall be credited to the Stock Account of each Participant who has a balance in his or her Stock Account on the record date for such dividend. The number of units that shall be credited to the Stock Account of such a Participant shall be computed by multiplying the dollar value of the dividend paid upon a single share of Common Stock by the number of units of Common Stock held in the Participant's Stock Account on the record date for such dividend and dividing the product thereof by the Market Value of the Common Stock on the payment date for such dividend.

7.5 Stock Dividends

Effective as of the payment date for each stock dividend (as defined in Section 305 of the Internal Revenue Code of 1986) on the Common Stock, additional units of Common Stock shall be credited to the Stock Account of each Participant who has a balance in his or her Stock Account on the record date for such dividend. The number of units that shall be credited to the Stock Account of such a Participant shall equal the number of shares of Common Stock which the Participant would have received as stock dividends had he or she been the owner on the record date for such stock dividend of the number of shares of Common Stock equal to the number of units credited to his or her Stock Account on such record date. To the extent the Participant would have also received cash, in lieu of fractional shares of Common Stock, had he or she been the record owner of such shares for such stock dividend, then his or her Stock Account shall also be credited with that number of units, or fractions thereof, equal to such cash amount divided by the Market Value of the Common Stock on the payment date for such dividend.

7.6 Recapitalization

If Kodak undergoes a reorganization as defined in Section 368 (a) of the Internal Revenue Code of 1986, the Administrator may, in his or her sole and absolute discretion, take whatever action he or she deems necessary, advisable or appropriate with respect to the Stock Accounts in order to reflect such transaction, including, but not limited to, adjusting the number of units credited to a Participant's Stock Account.

7.7 Distributions

Amounts in respect of units of Common Stock shall be distributed in cash in accordance with Articles 8 and 11. For purposes of a distribution pursuant to Articles 8 or 11, the number of units to be distributed from a Participant's Stock Account shall be valued by multiplying the number of such units by the Market Value of the Common Stock as of the Valuation Date immediately preceding the date such distribution is to occur. Pending the complete distribution under Section 8.2 of the Stock Account of a Participant who is no longer a member of the Board, the Participant shall continue to be able to make elections pursuant to Sections 7.2 and 7.3 and his or her Stock Account shall continue to be credited with additional units of Common Stock pursuant to Sections 7.4, 7.5, and 7.6.

Article 8. Payment of Deferred Compensation

8.1 Background

No withdrawal may be made from a Participant's Accounts except as provided in this Article 8 and Article 11.

8.2 Manner of Payment

Payment of a Participant's Accounts shall be made at the sole discretion of the Administrator in a single sum or in annual installments; provided, however, that payment in the event of death shall be made in accordance with Section 8.5 below. The maximum number of annual installments is ten. All payments from the Plan shall be made in cash.

8.3 Timing of Payments

Payments shall be made as soon as administratively possible following the fifth business day in March and shall commence in any year designated by the Administrator up through the tenth year following the year in which the Participant for any reason ceases to be a member of the Board.

Notwithstanding the immediately preceding sentence, payment in the event of death shall be made in accordance with Section 8.5.

8.4 Valuation

The amount of each payment shall be equal to the value, as of the immediately preceding Valuation Date, of the Participant's Accounts, divided by the number of installments remaining to be paid. If payment of a Participant's Accounts is determined by the Administrator to be paid in installments and the Participant has a balance in his or her Stock Account at the time of the payment of an installment, the amount that shall be distributed from his or her Stock Account shall be the amount obtained by multiplying the total amount of the installment determined in accordance with the immediately preceding sentence by the percentage obtained by dividing the balance in the Stock Account as of the immediately preceding Valuation Date by the total value of the Participant's Accounts as of such Valuation Date. Similarly, in such case, the amount that shall be distributed from the Participant's Deferred Compensation Account shall be the amount obtained by multiplying the total amount of the installment determined in accordance with the first sentence of this Section 8.4 by the percentage obtained by dividing the balance in the Deferred Compensation Account as of the immediately preceding Valuation Date by the total value of the Participant's Accounts as of such Valuation Date.

8.5 Payment of Deferred Compensation After Death

If a Participant dies prior to complete payment of his or her Accounts, the provisions of this Section 8.5 shall become operative.

A. **Stock Account.** Effective as of the date of a Participant's death, the entire balance of his or her Stock Account shall be transferred to his or her Deferred Compensation Account. For purposes of valuing the units of Common Stock subject to such a transfer, the deceased Participant's Deferred Compensation Account shall be credited with a dollar amount equal to the amount obtained by multiplying the number of units in the deceased Participant's Stock Account at the time of his or her death by the Market Value of the Common Stock on the date of his or her death. Thereafter, no amounts in the deceased Participant's Deferred Compensation Account shall be eligible for transfer to the deceased Participant's Stock Account by any person, including, but not by way of limitation, the deceased Participant's beneficiary or legal representative.

B. **Distribution.** The balance of the Participant's Accounts, valued as of the Valuation Date immediately preceding the date payment is made, shall be paid in a single, lump-sum payment to: (1) the beneficiary or contingent beneficiary designated by the Participant in accordance with Section 8.5(C); or, in the absence of a valid designation of a beneficiary or contingent beneficiary, (2) the Participant's estate within 30 days after appointment of a legal representative of the deceased Participant.

C. **Beneficiary Designation.** Each Participant shall have the right, at any time, to designate any person or persons as his or her Beneficiary or Beneficiaries (both primary and contingent) to whom payment under this Plan shall be paid in the event of his or her death prior to complete distribution to the Participant of the benefits due him or her under the Plan. Each Beneficiary designation shall become effective only when filed in writing with the Administrator during the Participant's lifetime on a form provided by the Administrator. The filing of a new Beneficiary designation form with the Administrator will cancel all Beneficiary designation(s) previously filed.

Article 9. Administration

9.1 Responsibility

The Administrator shall have total and exclusive responsibility to control, operate, manage and administer the Plan in accordance with its terms.

9.2 Authority of the Administrator

The Administrator shall have all the authority that may be necessary or helpful to enable him or her to discharge his or her responsibilities with respect to the Plan. Without limiting the generality of the preceding sentence, the Administrator shall have the exclusive right: to interpret the Plan, to decide all questions concerning the amount of benefits payable under the Plan, to construe any ambiguous provision of the Plan, to correct any default, to supply any omission, to reconcile any inconsistency, and to decide any and all questions arising in the administration, interpretation, and application of the Plan.

9.3 Discretionary Authority

The Administrator shall have full discretionary authority in all matters related to the discharge of his or her responsibilities and the exercise of his or her authority under the Plan including, without limitation, the construction of the terms of the Plan and the determination of benefits under the Plan. It is the intent of the Plan that the decisions of the Administrator and his or her actions with respect to the Plan shall be final and binding upon all persons having or claiming to have any right or interest in or under the Plan and that no such decision or action shall be modified upon judicial review unless such decision or action is proven to be arbitrary or capricious.

9.4 Delegation of Authority

The Administrator may delegate some or all of his or her authority under the Plan to any person or persons provided that any such delegation be in writing.

Article 10. Miscellaneous

10.1 Participant's Rights Unsecured

The amounts payable under the Plan shall be unfunded, and the right of any Participant or his or her estate to receive any payment under the Plan shall be an unsecured claim against the general assets of Kodak. No Participant shall have the right to exercise any of the rights or privileges of a shareholder with respect to the units credited to his or her Stock Account.

10.2 Non-Assignability

The right of a Participant to the payment of deferred compensation as provided in this Plan shall not be subject in any manner to alienation, anticipation, sale, transfer (except by will or the laws of descent and distribution), assignment, pledge, or encumbrance.

10.3 Statement of Account

Statements will be sent no less frequently than annually to each Participant or his or her beneficiary or estate showing the value of the Participant's Accounts.

10.4 Amendment

The Plan may at any time or from time to time be amended, modified, suspended or terminated by resolution of the Board. However, no amendment, modification, or termination shall, without the consent of a Participant, adversely affect such Participant's accruals in his or her Accounts.

10.5 Governing Law

The Plan shall be construed, governed and enforced in accordance with the law of New York State, except as such laws are preempted by applicable federal law.

10.6 No Guarantee of Tax Consequences

No person connected with the Plan in any capacity, including, but not limited to, Kodak and its directors, officers, agents and employees makes any representation, commitment, or guarantee that any tax treatment, including, but not limited to, federal, state and local income, estate and gift tax treatment, will be applicable with respect to amounts deferred under the Plan, or paid to or for the benefit of a Participant or Beneficiary under the Plan, or that such tax treatment will apply to or be available to a Participant or Beneficiary on account of participation in the Plan.

10.7 Compliance with Securities Laws

The Board may, from time to time, impose additional, or modify or eliminate existing, Plan terms, provisions, restrictions or requirements, including, but not by way of limitation, the provisions regarding a Participant's ability to elect into and out of his or her Stock Account under Sections 7.2 and 7.3 or the requirement of an automatic transfer pursuant to Section 8.5(A), as it deems necessary, advisable or appropriate in order to comply with applicable federal or state securities laws.

Article 11. Change in Control

11.1 Background

Upon a Change In Control: (i) the terms of this Section 11 shall immediately become operative, without further action or consent by any person or entity, (ii) all terms, conditions, restrictions, and limitations in effect on any deferred compensation shall immediately lapse as of the date of such event; and (iii) no other terms, conditions, restrictions, and/or limitations shall be imposed upon any deferred compensation on or after such date, and in no circumstance shall any Account be forfeited on or after such date.

11.2 Payment of Deferred Compensation

Upon a Change in Control, each Participant, whether or not he or she is still a member of the Board, shall be paid in a single, lump-sum cash payment the balance of his or her Accounts as of the Valuation Date immediately preceding the date payment is made. Such payment shall be made as soon as practicable, but in no event later than 90 days after the date of the Change in Control.

11.3 Amendment On or After Change In Control

Upon a Change in Control, no action, including, but not by way of limitation, the amendment, modification, suspension or termination of the Plan, shall be taken which would affect the rights of any Participant or the operation of this Plan with respect to the balance in the Participant's Accounts.

Exhibit (10) E.

1982 EASTMAN KODAK COMPANY

EXECUTIVE DEFERRED COMPENSATION PLAN

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Amended and Restated
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1982 Eastman Kodak Company
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1982 EASTMAN KODAK COMPANY

EXECUTIVE DEFERRED COMPENSATION PLAN

Preamble.

The 1982 Eastman Kodak Company Executive Deferred Compensation Plan is an unfunded non-qualified deferred compensation arrangement for eligible executives of Eastman Kodak Company and certain of its subsidiaries effective for compensation earned in 1982 and later years. Under the Plan, each Eligible Employee is annually given an opportunity to elect to defer payment of part of his or her compensation earned during the year following his or her election.

Article 1. Definitions

1.1 Account

"Account" means the Deferred Compensation Account or the Stock Account.

1.2 Board

"Board" means Board of Directors of Kodak.

1.3 Change In Control

"Change in Control" means a change in control of Kodak of a nature that would be required to be reported (assuming such event has not been "previously reported") in response to Item 1(a) of the Current Report of Form 8-K, as in effect on August 1, 1989, pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); provided that, without limitation, a Change in Control shall be deemed to have occurred at such time as (i) any "person" within the meaning of Section 14(d) of the Exchange Act is or has become the "beneficial owner" as defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of 25% or more of the combined voting power of the outstanding securities of Kodak ordinarily having the right to vote at the election of directors ("Voting Securities"), or (ii) individuals who constitute the Board of Directors of Kodak on August 1, 1989 (the "Incumbent Board") have ceased for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to August 1, 1989 whose election, or nomination for election by Kodak's stockholders, was approved by a vote of at least three-quarters (3/4) of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this clause (ii), considered as though such person were a member of the Incumbent Board.

1.4 Common Stock

"Common Stock" means the common stock of Kodak.

1.5 Company

"Company" means Kodak and its United States subsidiaries listed on Schedule A.

1.6 Compensation Committee

"Compensation Committee" shall mean the Executive Compensation and Development Committee of the Board.

1.7 Deferrable Amount

"Deferrable Amount" means an amount equal to the excess of the Eligible Employee's individual annual salary rate as of August 1 of any year over the Minimum Compensation Level.

1.8 Deferred Compensation Account

"Deferred Compensation Account" means the account established by the Company for each Participant for compensation deferred pursuant to this Plan. The maintenance of individual Deferred Compensation Accounts is for bookkeeping purposes only.

1.9 Eligibility Compensation Level

"Eligibility Compensation Level" means the dollar amount used to determine whether a person is an Eligible Employee. The Eligibility Compensation Level is \$108,000.

1.10 Eligible Employee

"Eligible Employee" means the corporate officers of Kodak and any other employee of the Company employed in the United States whose individual annual salary rate as of August 1 is equal to or greater than the Eligibility Compensation Level and who has a wage grade of 48 or above. Eligible Employee shall also include an employee of Kodak or any subsidiary of Kodak selected annually by the Compensation Committee whose individual annual salary rate as of August 1 is equal to or greater than the Eligibility Compensation Level and who has a wage grade equivalent to wage grade 48 or above. However, in no event shall a non-resident alien be eligible to participate in this Plan. Any employee who becomes eligible to participate in this Plan and in a future year does not qualify as an Eligible Employee solely because his or her individual annual salary rate as of August 1 is less than the Eligibility Compensation Level, shall nevertheless be eligible to participate in such year.

1.11 Enrollment Period

"Enrollment Period" means the period of consecutive days designated by the Director, Executive Compensation each year, provided however, that such period shall begin no earlier than October 15 and shall end no later than December 15 of each year.

1.12 Interest Rate

"Interest Rate" means the base rate, as reported in the "Money Rates" section of the Wall Street Journal, on corporate loans posted by at least 75% of the nation's 30 largest banks (known as the "Prime Rate").

1.13 Kodak

"Kodak" means Eastman Kodak Company.

1.14 Market Value

"Market Value" means the mean between the high and low at which the Common Stock trades as quoted in the New York Stock Exchange Composite Transactions as published in the Wall Street Journal on the day for which the determination is to be made, or if such day is not a trading day, the immediately preceding day.

1.15 Minimum Compensation Level

"Minimum Compensation Level" means the dollar amount used to determine the amount of an Eligible Employee's Deferrable Amount. The Minimum Compensation Level is \$50,000.

1.16 Plan

"Plan" means the 1982 Eastman Kodak Company Executive Deferred Compensation Plan as adopted by the Board and subsequently amended.

1.17 Participant

"Participant" means an Eligible Employee who elects for one or more years to defer compensation pursuant to this Plan. All SOG Participants are Participants.

1.18 SOG Participant

"SOG Participant" means a Participant who either: (1) is subject to the Guidelines for Senior Management Ownership of Eastman Kodak Company Stock as approved by the Compensation Committee; or (2) was subject to the Guidelines for Senior Management Ownership of Eastman Kodak Company Stock as approved by the Compensation Committee and still has a balance in his or her Stock Account in accordance with the terms of the Plan.

1.19 Stock Account

"Stock Account" means the account established by the Company for each SOG Participant, the performance of which is measured by reference to the Market Value of Common Stock. The maintenance of individual Stock Accounts is for bookkeeping purposes only.

1.20 Valuation Date

"Valuation Date" means, with regards to a Participant's Deferred Compensation Account, the last business day of each calendar month and, with regards to a SOG Participant's Stock Account, the last business day of each calendar month.

Article 2. Participation

Only Eligible Employees are eligible to participate in the Plan.

Article 3. Deferral of Compensation

3.1 In General

All Eligible Employees, other than those Eligible Employees who are SOG Participants, may elect, in accordance with the time requirements established under Article 4 below, to defer receipt of one or more of the following to his or her Deferred Compensation Account:

- 1) all or any portion of his or her Deferrable Amount to be earned during the immediately succeeding calendar year;
- 2) all or any portion of his or her cash award, if any, under the Wage Dividend Plan payable in the immediately succeeding calendar year;
- 3) all or any portion of his or her cash award, if any, under the Management Variable Compensation Plan (MVCP) payable in the second immediately succeeding calendar year; and
- 4) all or any portion of any other compensation identified by the Compensation Committee.

3.2 SOG Participants

All SOG Participants may elect, in accordance with the requirements established under Article 4 below, to defer receipt of one or more of the following to his or her Deferred Compensation Account:

- 1) all or any portion of his or her Deferrable Amount to be earned during the immediately succeeding calendar year;
- 2) all or any portion of his or her cash award, if any, under the Management Variable Compensation Plan (MVCP) payable in the second immediately succeeding calendar year; and
- 3) all or any portion of any other compensation identified by the Compensation Committee.

3.3 Eastman Kodak Employees' Savings and Investment Plan (SIP)

A Participant in this Plan need not participate in the Eastman Kodak Employees' Savings and Investment Plan.

3.4 Post Termination Deferrals

No deferral shall be made of any compensation payable after termination of employment.

Article 4. Deferral Elections

4.1 Elections

An Eligible Employee may make a deferral election to defer compensation by executing and returning to the Compensation Committee in accordance with this Article 4 a deferred compensation form provided by Kodak. An Eligible Employee may only make a deferral election into his or her Deferred Compensation Account; deferral elections into the Stock Account are not permitted under the Plan.

4.2. Timing

A. In General. Except as set forth in Section 4.2(B), an Eligible Employee who wishes make a deferral election must irrevocably elect to do so during the Enrollment Period immediately preceding the calendar year for which such compensation is earned. Elections made during the Enrollment Period shall be effective the first day of the calendar year immediately following the Enrollment Period. Elections shall be made annually.

B. Newly Eligible Employees. An Eligible Employee who is hired by the Company during a calendar year may make a deferral election to defer compensation earned during the remainder of such year by filing an election in accordance with the terms of this Section 4.2(B). Such election must be filed by the Eligible Employee with the Compensation Committee within ten business days of the first day of the Eligible Employee's employment with the Company. Notwithstanding any provision of this Plan to the contrary, such election shall only be effective with respect to the Eligible Employee's: (i) base salary, beginning with the first pay period following the pay period in which the election is filed with the Compensation Committee; and (ii) any award to which he or she may be entitled under the Management Variable Compensation Plan, or any successor plan thereto, for services performed during the calendar year of his or her hire. By way of an administrative rule, the Compensation Committee may impose such additional requirements upon a newly Eligible Employee's election, including, but not limited to, a minimum level of deferral, as it determines in the exercise of its sole and absolute discretion.

4.3 Irrevocability

Deferral elections made under this Plan with respect to any calendar year will be final and, after the close of the Enrollment Period for such calendar year, may not be revoked or amended in any manner.

4.4 Deferral Elections by Eligible Employees Other Than SOG Participants

In the case of all Eligible Employees, other than SOG Participants, the deferred compensation form shall indicate: (1) the dollar amount of the Deferrable Amount to be deferred; (2) whether the deferral is to be at the same rate throughout the year, or at one rate for part of the year and at a second rate for the remainder of the year; (3) the amount, in terms of such percentages as Kodak shall determine, of the cash Wage Dividend award, if any, to be deferred; (4) the amount, in terms of such percentages as Kodak shall determine, of the cash MVCP award, if any, to be deferred; and (5) the portion of any other compensation that the Compensation Committee determines is eligible for deferral under the Plan.

4.5 Deferral Elections by SOG Participants

The deferred compensation form of all SOG Participants shall indicate: (1) the dollar amount of the Deferrable Amount to be deferred; (2) whether the deferral is to be at the same rate throughout the year, or at one rate for part of the year and at a second rate for the remainder of the year; (3) the amount, in terms of such percentages as Kodak shall determine, of the cash MVCP award, if any, to be deferred; and (4) the portion of any other compensation that the Compensation Committee determines is eligible for deferral under the Plan.

Article 5. Hypothetical Investments

5.1 Deferred Compensation Account

Amounts in a Participant's Deferred Compensation Account are hypothetically invested in an interest bearing account which bears interest computed at the Interest Rate, compounded monthly.

5.2 Stock Account

Amounts in a SOG Participant's Stock Account are hypothetically invested in units of Common Stock. Amounts transferred to a Stock Account are recorded as units of Common Stock, and fractions thereof, with one unit equating to a single share of Common Stock. Thus, the value of one unit shall be the Market Value of a single share of Common Stock. The use of units is merely a bookkeeping convenience; the units are not actual shares of Common Stock. The Company will not reserve or otherwise set aside any Common Stock for or to any Stock Account.

5.3 Time Accounts Are Credited

Amounts to be deferred by a Participant shall be credited to the Participant's Account as follows:

- 1) Deferrable Amount shall be credited each pay period on the date such amount is otherwise payable;
- 2) wage dividend shall be credited on the date such amount is otherwise payable;
- 3) MVCP award shall be credited on the date such amount is otherwise payable; and
- 4) any other compensation shall be credited on the date such amount is otherwise payable.

Article 6. Elections to Defer For a Fixed Period During Employment

6.1 In General

A Participant may elect to defer receipt of his or her compensation for a fixed number of years, no less than 5, provided he or she continues as an employee of the Company during the period of deferral. Any such election shall be made during the Enrollment Period on the deferred compensation form referenced in Article 4 above. If such Participant ceases to be an employee of the Company prior to the end of the fixed period, Article 8 shall govern the payment of his or her Accounts.

6.2 Form of Payment

If a Participant has elected to defer receipt of his or her compensation for a fixed number of years, payment of such amount shall be made in cash in a single lump-sum.

6.3 Valuation

The amount of the lump-sum due the Participant shall be valued as of the Valuation Date in February in the year following the termination of the deferral period.

6.4 Time of Payment

Payment shall be made as soon as administratively possible following the Valuation Date in February in the year following the termination of the deferral period.

Article 7. Investment Elections

The provisions of this Article 7 shall only apply to SOG Participants.

7.1 Elections

A. In General. Subject to Section 7.1(B), a SOG Participant may make an investment election to direct that all or any portion, designated as a whole percentage, of the existing balance of one of his or her Accounts be transferred to his or her other Account, effective as of the close of business on the last day of any calendar month (hereinafter the election's "Effective Date"), by filing a written election with the Compensation Committee on or prior to such date.

B. Elections to Defer For A Fixed Period During Employment. A SOG Participant may not transfer to his or her Stock Account any amount subject to an election to defer for a fixed number of years pursuant to Article 6, nor may he or she transfer to his or her Stock Account any interest that has accrued on such amount.

7.2 Election into the Stock Account

If a SOG Participant makes an investment election pursuant to Section 7.1 to transfer an amount from his or her Deferred Compensation Account to his or her Stock Account, effective as of the election's Effective Date, (i) his or her Stock Account shall be credited with that number of units of Common Stock, and fractions thereof, obtained by dividing the dollar amount elected to be transferred by the Market Value of the Common Stock on the Valuation Date coincident with or immediately preceding the election's Effective Date; and (ii) his or her Deferred Compensation Account shall be reduced by the amount elected to be transferred.

7.3 Election out of the Stock Account

If a SOG Participant makes an investment election pursuant to Section 7.1 to transfer an amount from his or her Stock Account to his or her Deferred Compensation Account, effective as of the election's Effective Date, (i) his or her Deferred Compensation Account shall be credited with a dollar amount equal to the amount obtained by multiplying the number of units to be transferred by the Market Value of the Common Stock on the Valuation Date coincident with or immediately preceding the election's Effective Date; and (ii) his or her Stock account shall be reduced by the number of units elected to be transferred.

7.4 Dividend Equivalents

Effective as of the payment date for each cash dividend on the Common Stock, additional units of Common Stock shall be credited to the Stock Account of each SOG Participant who had a balance in his or her Stock Account on the record date for such dividend. The number of units that shall be credited to the Stock Account of such a SOG Participant shall be computed by multiplying the dollar value of the dividend paid upon a single share of Common Stock by the number of units of Common Stock held in the SOG Participant's Stock Account on the record date for such dividend and dividing the product thereof by the Market Value of the Common Stock on the payment date for such dividend.

7.5 Stock Dividends

Effective as of the payment date for each stock dividend (as defined in Section 305 of the Internal Revenue Code of 1986) on the Common Stock, additional units of Common Stock shall be credited to the Stock Account of each SOG Participant who had a balance in his or her Stock Account on the record date for such dividend. The number of units that shall be credited to the Stock Account of such a SOG Participant shall equal the number of shares of Common Stock which the SOG Participant would have received as stock dividends had he or she been the owner on the record date for such stock dividend of the number of shares of Common Stock equal to the number of units credited to his or her Stock Account on such record date. To the extent the SOG Participant would have also received cash, in lieu of fractional shares of Common Stock, had he or she been the record owner of such shares for such stock dividend, then his or her Stock Account shall also be credited with that number of units, or fractions thereof, equal to such cash amount divided by the Market Value of the Common Stock on the payment date for such dividend.

7.6 Recapitalization

If Kodak undergoes a reorganization as defined in Section 368 (a) of the Internal Revenue Code of 1986, the Compensation Committee may, in its sole and absolute discretion, take whatever action it deems necessary, advisable or appropriate with respect to the Stock Accounts in order to reflect such transaction, including, but not limited to, adjusting the number of units credited to a SOG Participant's Stock Account.

7.7 Distributions

Amounts in respect of units of Common Stock shall be distributed in cash in accordance with Articles 6, 8 and 11. For purposes of a distribution pursuant to Article 6, 8, or 11, the number of units to be distributed from a SOG Participant's Stock Account shall be valued by multiplying the number of such units by the Market Value of the Common Stock as of the Valuation Date coincident with or immediately preceding the date such distribution is to occur. Pending the complete distribution under Section 8.2 or liquidation under Section 7.8 of the Stock Account of a SOG Participant who has terminated his or her employment with the Company, the SOG Participant shall continue to be able to make elections pursuant to Sections 7.2 and 7.3 and his or her Stock Account shall continue to be credited with additional units of Common Stock pursuant to Sections 7.4, 7.5, and 7.6.

7.8 Liquidation of Stock Account

The provisions of this Section 7.8 shall be applicable if on the second anniversary of the SOG Participant's retirement or, if earlier, termination of employment from the Company, the SOG Participant has a balance remaining in his or her Stock Account. In such case, effective as of the first day of the first calendar month immediately following the date of such second anniversary, the entire balance of the SOG Participant's Stock Account shall automatically be transferred to his or her Deferred Compensation Account and, he or she shall thereafter be ineligible to transfer any amounts to his or her Stock Account. For purposes of valuing the units of Common Stock subject to such a transfer, the method described in Section 7.3 shall be used.

Article 8. Payment of Deferred Compensation

8.1 Background

No withdrawal may be made from a Participant's Accounts except as provided in this Article 8 and Articles 6 and 13.

8.2 Manner of Payment

Payment of a Participant's Accounts shall be made at the sole discretion of the Compensation Committee in a single sum or in annual installments; provided, however, that payment in the event of death shall be made in accordance with Section 8.6. The maximum number of installments is ten. All payments from the Plan shall be made in cash.

8.3 Timing

Payments shall be made as soon as is administratively possible following the fifth business day in March and shall commence in any year designated by the Compensation Committee up through the tenth year following the year in which the Participant retires, becomes disabled, or for any other reason, ceases to be an employee of Kodak or any subsidiary of Kodak, but in no event later than the year the Participant reaches age 71. Notwithstanding the preceding sentence of this Section 8.3, payment in the event of death shall be made in accordance with Section 8.6.

8.4 Valuation

The amount of each payment shall be equal to the value, as of the immediately preceding Valuation Date, of the Participant's Accounts, divided by the number of installments remaining to be paid. If payment of a Participant's Accounts is determined by the Compensation Committee to be paid in installments and the Participant has a balance in his or her Stock Account at the time of the payment of an installment, the amount that shall be distributed from his or her Stock Account shall be the amount obtained by multiplying the total amount of the installment determined in accordance with the immediately preceding sentence by the percentage obtained by dividing the balance in the Stock Account as of the immediately preceding Valuation Date by the total value of the Participant's Accounts as of such date. Similarly, in such case, the amount that shall be distributed from the Participant's Deferred Compensation Account shall be the amount obtained by multiplying the total amount of the installment determined in accordance with the first sentence of this Section 8.4 by the percentage obtained by dividing the balance in the Deferred Compensation Account as of the immediately preceding Valuation Date by the total value of the Participant's Accounts as of such date.

8.5 Termination of Employment

Anything herein to the contrary notwithstanding, Participants who cease to be employed by Kodak or any Subsidiary of Kodak and are employed by Eastman Chemical Company or one of its subsidiaries in connection with the distribution of the common stock of Eastman Chemical Company to the shareholders of Kodak, shall not be deemed to have terminated employment for purposes of this Plan.

8.6 Payment of Deferred Compensation After Death

If a Participant dies prior to complete payment of his or her Accounts, the provisions of this Section 8.6 shall become operative.

A. **Stock Account.** Effective as of the date of a SOG Participant's death, the entire balance of his or her Stock Account shall be transferred to his or her Deferred Compensation Account. For purposes of valuing the units of Common Stock subject to such a transfer, the deceased SOG Participant's Deferred Compensation Account shall be credited with a dollar amount equal to the amount obtained by multiplying the number of units in the deceased SOG Participant's Stock Account at the time of his or her death by the Market Value of the Common Stock on the date of his or her death. Thereafter, no amounts in the deceased SOG Participant's Deferred Compensation Account shall be eligible for transfer to the deceased SOG Participant's Stock Account by any person, including, but not by way of limitation, the deceased SOG Participant's beneficiary or legal representative.

B. **Distribution.** The balance of the Participant's Accounts, valued as of the Valuation Date immediately preceding the date payment is made, shall be paid in a single, lump-sum payment to: (1) the beneficiary or contingent beneficiary designated by the Participant on forms supplied by the Compensation Committee; or, in the absence of a valid designation of a beneficiary or contingent beneficiary, (2) the Participant's estate within 30 days after appointment of a legal representative of the deceased Participant.

8.7 Acceleration of Payment for Hardship

Upon written approval from Kodak's Chairman of the Board (the Compensation Committee, in the case of a request from the Chairman of the Board) a Participant, whether or not he or she is still employed by Kodak or any subsidiary of Kodak, may be permitted to receive all or part of his or her Accounts if the Chairman of the Board (or the Compensation Committee, when applicable) determines that an emergency event beyond the Participant's control exists which would cause such Participant severe financial hardship if the payment of his or her Accounts were not approved. Any such distribution for hardship shall be limited to the amount needed to meet such emergency. If such a distribution occurs while the Participant is employed by Kodak or any subsidiary of Kodak, any election to defer compensation for the year in which the Participant receives a hardship withdrawal shall be ineffective as to compensation earned for the pay period following the pay period during which the withdrawal is made and thereafter for the remainder of such year and shall be ineffective as to any wage dividend or any other compensation elected to be deferred for such year.

Article 9. Administration

9.1 Responsibility

The Compensation Committee shall have total and exclusive responsibility to control, operate, manage and administer the plan in accordance with its terms.

9.2 Authority of the Compensation Committee

The Compensation Committee shall have all the authority that may be necessary or helpful to enable it to discharge its responsibilities with respect to the Plan. Without limiting the generality of the preceding sentence, the Compensation Committee shall have the exclusive right: to interpret the Plan, to determine eligibility for participation in the Plan, to decide all question concerning eligibility for and the amount of benefits payable under the Plan, to construe any ambiguous provision of the Plan, to correct any default, to supply any omission, to reconcile any inconsistency, and to decide any and all questions arising in the Administration, interpretation, and application of the Plan.

9.3 Discretionary Authority

The Compensation Committee shall have full discretionary authority in all matters related to the discharge of its responsibilities and the exercise of its authority under the Plan including, without limitation, its construction of the terms of the Plan and its determination of eligibility for participation and benefits under the Plan. It is the intent of Plan that the decisions of the Compensation Committee and its action with respect to the Plan shall be final and binding upon all persons having or claiming to have any right or interest in or under the Plan and that no such decision or action shall be modified upon judicial review unless such decision or action is proven to be arbitrary or capricious.

9.4 Delegation of Authority

The Compensation Committee may delegate some or all of its authority under the Plan to any person or persons provided that any such delegation be in writing.

Article 10. Miscellaneous

10.1 Non-Competition Provision

If a Participant, without the written consent of Kodak, engages either directly or indirectly, in any manner or capacity, as principal, agent, partner, officer, director, employee, or otherwise, in any business or activity competitive with the business conducted by Kodak or any subsidiary of Kodak, while a balance remains credited to his or her Account, the Company may, in its sole discretion, pay to the Participant the balance credited to his or her Deferred Compensation Account and/or Stock Account.

10.2 Participant's Rights Unsecured

The amounts payable under the Plan shall be unfunded, and the right of any Participant or his or her estate to receive any payment under the Plan shall be an unsecured claim against the general assets of the Company. No Participant shall have the right to exercise any of the rights or privileges of a shareholder with respect to the units credited to his or her Stock Account.

10.3 No Right to Continued Employment

Participation in the Plan shall not give any employee any right to remain in the employ of the Company. The Company reserves the right to terminate any Participant at any time.

10.4 Statement of Account

Statements will be sent no less frequently than annually to each Participant or his or her estate showing the value of the Participant's Accounts.

10.5 Assignability

Neither the Participant nor the Company shall have the right to assign any rights or obligations under the Plan. However, the Plan shall inure to the benefit of and be binding upon the successors of the Company.

10.6 Deductions

The Company will withhold to the extent required by law all applicable income and employment taxes from amounts paid under the Plan.

10.7 Amendment

The Plan may at any time or from time to time be amended, modified, or terminated by the Compensation Committee. However, no amendment, modification, or termination shall, without the consent of a Participant, adversely affect such Participant's accruals in his or her Accounts.

10.8 Governing Law

The Plan shall be construed, governed and enforced in accordance with the law of New York State, except as such laws are preempted by applicable federal law.

10.9 Compliance with Securities Laws

The Compensation Committee may, from time to time, impose additional, or modify or eliminate existing, Plan restrictions and requirements, including, but not by way of limitation, the restrictions regarding a SOG Participant's ability to elect into and out of his or her Stock Account under Sections 7.2 and 7.3 or the requirement of an automatic transfer pursuant to Section 8.6(B), as it deems necessary, advisable or appropriate in order to comply with applicable federal and state securities laws. All such restrictions shall be accomplished by way of written administrative guidelines adopted by the Compensation Committee.

10.10 Diconix Deferred Compensation

The deferred compensation accounts maintained by Research Boulevard Realty Co., Inc. (formerly Diconix, Inc.) pursuant to the Diconix, Inc. Deferred Compensation Plan shall be treated as Deferred Compensation Accounts under this Plan and shall be subject to all the terms and conditions of this Plan.

Article 11. Change in Control

11.1 Background

The terms of this Article 11 shall immediately become operative, without further action or consent by any person or entity, upon a Change in Control, and once operative shall supersede and control over any other provisions of this Plan.

11.2 Acceleration of Payment Upon Change In Control

Upon the occurrence of a Change in Control, each Participant, whether or not he or she is still employed by Kodak or any subsidiary of Kodak, shall be paid in a single, lump-sum cash payment the balance of his or her Accounts as of the Valuation Date immediately preceding the date payment is made. Such payment shall be made as soon as practicable, but in no event later than 90 days after the date of the Change in Control.

11.3 Amendment On or After Change In Control

On or after a Change in Control, no action, including, but not by way of limitation, the amendment, suspension or termination of the Plan, shall be taken which would affect the rights of any Participant or the operation of this Plan with respect to the balance in the Participant's Accounts.

Article 12. Severance Payments

With the exception of Articles 1 and 9 hereof and Sections 10.2, 10.3, 10.5, 10.6, and 10.8 hereof, the provisions of this Article 12 shall operate independent of any other Sections of this Plan.

Subject to the terms and conditions established in this Article 12, the Chief Executive Officer of the Company may award severance payments under the Plan to certain Eligible Employees who terminate their employment from the Company. The classification of Eligible Employees who are eligible for such severance payments shall be limited to those Eligible Employees who are officers of the Company. The amount of any such severance payment shall be determined by the Chief Executive Officer with reference to the Eligible Employee's base salary at the time of his or her termination of employment. The Chief Executive Officer shall have the sole discretion to determine the timing, manner of payment (e.g., lump sum or installments) and terms, conditions and limitations of any such severance payment, except that all such payments shall be made in cash. Any award made by the Chief Executive Officer pursuant to the provisions of this paragraph shall be evidenced by a written agreement signed by the Chief Executive Officer.

Schedule A

Eastman Gelatine Corporation
Eastman Kodak International Capital Company, Inc.

Exhibit (10) F.

As Amended October 10, 1996
Effective November 1, 1996

EASTMAN KODAK COMPANY 1985 STOCK OPTION PLAN

1. Purposes

The purposes of this Plan are to encourage ownership of the Company's stock by eligible key employees and to provide increased incentive for such employees to put forth maximum effort for the success of the business.

2. Definitions

2.01 "Board" means the Board of Directors of Eastman Kodak Company.

2.02 "Committee" means the Compensation Committee of the Board, consisting of not less than three members of the Board. A member of the Committee shall not be and shall not within one year prior to appointment to the Committee have been, eligible to be selected to participate in the Plan or any other plan of the Company or any of its affiliates entitling participants to acquire stock, stock options or stock appreciation rights of the Company or its affiliates.

2.03 "Common Stock" means Common Stock of Eastman Kodak Company.

2.04 "Company" means Eastman Kodak Company.

2.05 "Participant" means an employee of the Company or a Subsidiary to whom

a grant has been made by the Committee.

2.06 "Plan" means the Eastman Kodak Company 1985 Stock Option Plan.

2.07 "Subsidiary" means a corporation or other business entity in which the Company directly or indirectly has an ownership interest of fifty percent or more.

2.08 "Change In Control" means a change in control of the Company of a nature that would be required to be reported (assuming such event has not been "previously reported") in response to Item 1(a) of the Current Report of Form 8-K, as in effect on August 1, 1989, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); provided that, without limitation, a Change In Control shall be deemed to have occurred at such time as (i) any "person" within the meaning of Section 14(d) of the Exchange Act is or has become the "beneficial owner" as defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of 25% or more of the combined voting power of the outstanding securities of the Company ordinarily having the right to vote at the election of director ("Voting Securities"), or (ii) individuals who constitute the Board of Directors of the Company on August 1, 1989 (the "Incumbent Board") have ceased for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to August 1, 1989 whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least three quarters (3/4) of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this clause (ii), considered as though such person were a member of the Incumbent Board.

3. Administration

This Plan shall be administered by the Committee. The Committee is authorized to establish such rules and regulations as it deems necessary for the proper administration of the Plan, and to make such determinations and interpretations and to take such action in connection with the Plan and any options or stock appreciation rights granted under the Plan as it deems necessary or advisable. All determinations of the Committee shall be by a majority of its members, and its determinations shall be final.

4. Eligibility

Key employees of the Company and its Subsidiaries shall be eligible to receive grants under the Plan. Directors of the Company or any Subsidiary who are not full-time employees of the Company or Subsidiary shall not be eligible to receive grants.

5. Shares Available

An aggregate of 9,000,000 shares of common stock (par value \$2.50) of the Company shall be available for grant under the Plan (subject to adjustment as provided in paragraph 10). Such shares may be authorized and unissued shares or may be treasury shares. Upon the expiration or termination in whole or in part of any unexercised grant, shares of common stock covered by such unexercised grant shall be available again for grant under the Plan.

6. Grant of Options

Subject to the provisions of paragraphs 7 and 8, options may be granted to such eligible employees in such numbers, at such times during the term of the Plan, and for such durations as the Committee shall determine. These stock options may be incentive stock options within the meaning of Section 422A of the Internal Revenue Code or non-qualified stock options (i.e., stock options which are not incentive stock options), or a combination of both. Options may contain dissimilar provisions provided that all such provisions are consistent with the Plan.

7. Terms and Conditions of Grants

(a) All options granted under the Plan shall be subject to the following terms and conditions:

(i) Option Price -- The option price shall be not less than 100% of the fair market value of the Common Stock, as determined by the Committee, on the date of grant.

(ii) Duration of Options -- Each option shall expire not later than ten years from the date of grant, unless sooner exercised or terminated in accordance with subparagraph (vi) or (vii) below.

(iii) Exercise of An Option -- No option may be exercised within one year of the date on which the option is granted. One half (50%) of an option shall become exercisable on the first anniversary of the date of grant of such option and the remaining half shall become exercisable on the second anniversary of the date of grant.

Notwithstanding the preceding two sentences, if any Participant dies, becomes disabled, retires or terminates employment for any approved reason, prior to the second anniversary of the date of grant of any options to him, such options may be exercised at any time between the date of the event and the date of termination of the option indicated by its terms. Options may be exercised from time to time by written notice to the Company stating the number of shares with respect to which the option is being exercised.

(iv) Payment -- No shares shall be issued or delivered until full payment for the shares has been made, with cash, with Company shares valued as of the date of exercise (including shares previously acquired pursuant to the exercise of an option), or with a combination of both.

(v) Nontransferability of Options -- An option shall not be transferable by a Participant except by will or the laws of descent and distribution and shall be exercisable, during his lifetime, only by him.

(vi) Termination of Employment -- On the sixtieth (60th) day after termination of a Participant's employment, each option previously granted to him shall expire; provided, however, if employment is terminated by reason of death, disability, retirement or any approved reason, the option shall terminate at such time as determined by the Committee. Transfers between the Company and a Subsidiary shall not be a termination of employment. Anything herein to the contrary notwithstanding, Participants who cease to be employed by the Company or a Subsidiary and are employed by Eastman Chemical Company or one of its subsidiaries in connection with the distribution of the common stock of Eastman Chemical Company to the shareholders of the Company, shall not be deemed to have terminated employment for purposes of this Plan and all options and SARs outstanding on the date of such distribution.

(vii) Non-Competitive Provision -- Notwithstanding any Plan provision, other than Paragraph 18.07 hereof, to the contrary, if a Participant, without the written consent of the Company, engages either directly or indirectly, in any manner or capacity, as principal, agent, partner, officer, director, employee, or otherwise, in any business or activity competitive with the business conducted by the Company or any Subsidiary, or performs any act or engages in any activity which, in the opinion of the Chief Executive Officer, is inimical to the best interests of the Company, either during or after employment with the Company or Subsidiary, all options previously granted to him shall expire forthwith.

(b) In addition to the terms and conditions of paragraph (a) above, incentive stock options granted under the Plan shall also be subject to the following: If a Participant disposes of shares acquired pursuant to the exercise of an incentive stock option in a disqualifying disposition within the time periods identified in Section 422A(a)(1) of the Internal Revenue Code, such Participant is required to notify the Company of such disposition and provide information as to the date of disposition, sale price, quantity disposed of and any other information about such disposition which the Company may reasonably request.

8. Stock Appreciation Rights

Stock appreciation rights covering shares of Common Stock ("SARs") may be granted to such eligible employees in such numbers and at such times during the term of the Plan as the Committee shall determine. An SAR may be granted in tandem with all or a portion of a related stock option under the Plan ("Tandem SARs"), or may be granted separately ("Freestanding SAR"). Tandem SARs shall be granted concurrently with the grant of the stock option. A Tandem SAR shall be exercisable only to the extent that the related stock option is exercisable, and the "exercise price" of such an SAR (the base from which the value of the SAR is measured at its exercise) shall be the option price under the related stock option. The exercise price of a Freestanding SAR shall be not less than 100% of the fair market value of the Common Stock, as determined by the Committee, on the date of grant of the Freestanding SAR. A Tandem SAR and a Freestanding SAR shall entitle the recipient to

receive a payment equal to the excess of the fair market value of the shares of Common Stock covered by the SAR on the date of exercise over the exercise price of the SAR. Such payment may be made in cash or in shares of Common Stock or a combination of both, as the Committee shall determine. The Committee may cancel or place a limit on the term of, or the amount payable for, any SAR at any time. The Committee shall determine all other terms and conditions of any SAR grant. An SAR shall not be transferable by a Participant except by will or the laws of descent- and distribution and shall be exercisable, during his lifetime, only by him. Unless the Committee shall otherwise determine, to the extent a Freestanding SAR is exercisable, it will be exercised automatically for a cash settlement on its expiration date. Upon exercise of a Tandem SAR as to some or all of the shares covered by the grant, the related stock option shall be cancelled automatically to the extent of the number of shares covered by such exercise, and such shares shall no longer be available for grant under Section 5. Conversely, if the related stock option is exercised as to some or all of the shares covered by the grant, the related Tandem SAR, if any, shall be cancelled automatically to the extent of the number of shares covered by the stock option exercise.

9. Regulatory Approvals and Listing

The Company shall not be required to issue any certificate or certificates for shares of Common Stock upon the exercise of an option or SAR prior to (a) the obtaining of any approval from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable, (b) the admission of such shares to listing on any stock exchange on which the Common Stock may then be listed, and (c) the completion of any registration or other qualification of such shares under any state or Federal law or rulings or regulations of any governmental body which the Company shall, in its sole discretion, determine to be necessary or advisable.

10. Adjustment of Shares Available

If there is any change in the number of outstanding shares of Common Stock of the Company through the declaration of stock dividends, or through stock splits, the number of shares available for options and SARs and the shares subject to any option or SAR and the option prices or exercise prices shall be automatically adjusted. If there is any change in the number of outstanding shares of Common Stock of the Company through any change in the capital account of the Company or through any other transaction referred to in Section 425(a) of the Internal Revenue Code, the number of shares available for options and SARs and the shares subject to any option or SAR and the option prices or exercise prices shall be appropriately adjusted by the Committee.

11. Prohibition of Loans to Participants

Neither the Company nor any Subsidiary shall directly or indirectly lend money to a Participant for the purpose of assisting him to exercise any option granted under the Plan.

12. Amendment

The Board may from time to time amend the Plan in any manner which it deems in the best interest of the Company, but may not, without the approval of the Company's shareholders, adopt any amendment which would (a) materially increase the benefits accruing to participants under the Plan, (b) materially increase the maximum number of shares which may be issued under the Plan (other than pursuant to paragraph 10), or (c) materially modify the requirements as to eligibility for participation in the Plan.

13. Term

The Plan shall become effective on November 8, 1985, and shall be submitted for approval by the Company's shareholders at the 1986 annual meeting. No option or SARs shall be exercisable before shareholder approval of the Plan. No option or SAR shall be granted pursuant to the Plan after December 31, 1989.

14. Rights as a Shareholder

A Participant shall possess no rights as a shareholder with respect to the shares covered by an option or SAR granted to him until the issuance to the Participant of the stock certificate for the shares purchased.

15. Governing Law

The Plan shall be construed and enforced in accordance with the law of New York State.

16. Taxes

The Company will withhold, to the extent required by law, all applicable income and employment taxes due as a result of transactions under this Plan and the Company may require the Participant to pay to it such tax as a condition of exercise of an option or SAR.

17. No Right to Continued Employment

Participation in the Plan shall not give any employee any right to remain in the employ of the Company. The Company reserves the right to terminate any Participant at any time.

18. Change In Control

18.01 Background. The terms of this Paragraph 18 shall immediately become operative, without further action or consent by any person or entity, upon a Change In Control, and once operative shall supersede and control over any other provisions of this Plan and its Administrative Guide.

18.02 Lapse of Restrictions. Upon a Change In Control, all terms, conditions or restrictions in effect on any outstanding stock options, regardless of whether such stock options are incentive stock options or non-qualified stock options, or SARs, regardless of whether such SARs are Tandem SARs or Freestanding SARs, shall immediately lapse as of the date of the event.

In addition, no other terms, conditions, or restrictions shall be imposed on any stock options or SARs on or after such date.

18.03 Vesting of Stock Options and SARs. Upon a Change In Control, all outstanding stock options and SARs shall automatically become one hundred percent (100%) vested immediately upon the occurrence of such event.

- 18.04 Exercise and Payment of Freestanding SARs. Upon a Change In Control, all outstanding -Freestanding SARs shall automatically be exercised, without further action by the Committee or any Participant, immediately upon the occurrence of such event. As a result, any Participant, whether or not he is still employed by the Company or any Subsidiary, then holding any outstanding Freestanding SARs shall be paid the value of his or her Freestanding SARs in a single lump-sum cash payment as soon as practicable, but in no event later than 90 days after the date of the Change In Control. For purposes of making this payment, the value of such Participant's Freestanding SARs shall be determined by averaging the mean between the high and low at which Kodak common stock is traded on the New York Stock Exchange on the day of the Change In Control.
- 18.05 Cash Surrender of Stock Options. Upon the occurrence of a Change In Control, any Participant, whether or not he is still employed by the Company or a Subsidiary, then holding any stock options, regardless of whether they are incentive stock options or non-qualified stock options, shall be paid in a single lump-sum cash payment the "Change In Control Value," as that term is hereafter defined, of such stock options as soon as practicable, but in no event later than 90 days after the date of the Change In Control. For purposes of this Paragraph 18, the "Change In Control Value" of a given stock option shall be determined by multiplying the total number of shares of common stock the Participant would then be entitled to purchase under such option (assuming the application of Subparagraphs 18.02 and 18.03 hereof) by the amount resulting from subtracting the option price of such stock option from the stock value obtained by averaging the mean between the high and low at which Kodak common stock is traded on the New York Stock Exchange on the date of the Change In Control.
- Upon receipt of the foregoing lump sum cash payment by a Participant, the outstanding stock options for which such payment is being made, as well as the Tandem SARs related to such stock options, shall be automatically cancelled.
- 18.06 Amendment on or After Change In Control. On or after a Change in Control, no action, including, but not by way of limitation, the amendment, suspension or termination of the Plan, shall be taken which would affect the rights of any Participant or the operation of this Plan with respect to any stock options or SARs to which the Participant may have become entitled hereunder on or prior to the date of such action or as a result of such Change In Control.
- 18.07 Subparagraphs 7(a)(vi) and 7(a)(vii). Upon a Change In Control, the terms and provisions of Subparagraphs 7(a)(vi) and 7(a)(vii) shall become null and void and shall have no further force and effect.

Exhibit (10) G.

1990 OMNIBUS LONG-TERM COMPENSATION PLAN

EASTMAN KODAK COMPANY
Effective November 1, 1996

1990 OMNIBUS LONG-TERM COMPENSATION PLAN
November 1, 1996

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EASTMAN KODAK COMPANY

1990 OMNIBUS LONG-TERM COMPENSATION PLAN

1. Purpose

The purpose of the Plan is to provide motivation to Key Employees of the Company and its subsidiaries to put forth maximum efforts toward the continued growth, profitability, and success of the Company and its Subsidiaries by providing incentives to such Key Employees through the ownership and performance of the Common Stock of the Company. Toward this objective, the Committee may grant stock options, stock appreciation rights, Stock Awards, performance units, performance shares, and/or other incentive awards to Key Employees of the Company and its Subsidiaries on the terms and subject to the conditions set forth in the Plan.

2. Definitions

2.1 "Award" means any form of stock option, stock appreciation right, Stock Award, performance unit, performance shares, or other incentive award granted under the Plan, whether singly, in combination, or in tandem, to a Participant by the Committee pursuant to such terms, conditions, restrictions and/or limitations, if any, as the Committee may establish by the Award Notice or otherwise.

2.2 "Award Notice" means a written notice from the Company to a Participant that establishes the terms, conditions, restrictions, and/or limitations applicable to an Award in addition to those established by this Plan and by the Committee's exercise of its administrative powers.

2.3 "Board" means the Board of Directors of the Company.

2.4 "Cause" means (a) the willful and continued failure by a Key Employee to substantially perform his duties with his employer after written warnings identifying the lack of substantial performance are delivered to the Key Employee by his employer to specifically identify the manner in which the employer believes that the Key Employee has not substantially performed his duties, or (b) the willful engaging by a Key Employee in illegal conduct which is materially and demonstrably injurious to the Company or a Subsidiary.

2.5 "Change In Control" means a change in control of the Company of a nature that would be required to be reported (assuming such event has not been "previously reported") in response to Item 1(a) of the Current Report on Form 8-K, as in effect on August 1, 1989, pursuant to Section 13 or 15(d) of the Exchange Act; provided that, without limitation, a Change In Control shall be deemed to have occurred at such time as (i) any "person" within the meaning of Section 14(d) of the Exchange Act, other than the Company, a subsidiary of the Company, or any employee benefit plan(s) sponsored by the Company or any subsidiary of the Company, is or has become the "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of 25% or more of the combined voting power of the outstanding securities of the Company ordinarily having the right to vote at the election of directors, or (ii) individuals who constitute the Board on February 1, 1990 (the "Incumbent Board") have ceased for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to February 1, 1990 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three-quarters (3/4) of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board.

2.6 "Change In Control Price" means the highest closing price per share paid for the purchase of Common Stock on the New York Stock Exchange during the ninety (90) day period ending on the date the Change In Control occurs.

2.7 "Change In Ownership" means a Change In Control which results directly or indirectly in the Company's Common Stock ceasing to be actively traded on the New York Stock Exchange.

2.8 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

2.9 "Committee" means the Compensation Committee of the Board or such other committee designated by the Board, authorized to administer the Plan under paragraph 3 hereof. The Committee shall consist of not less than three members. A member of the Committee shall not be, and shall not within one year prior to appointment to the Committee have been, eligible to be selected to participate in the Plan or any other plan of the Company or any of its affiliates entitling participants to acquire stock, stock options, or stock appreciation rights of the Company or its affiliates.

2.10 "Common Stock" means common stock of the Company.

2.11 "Company" means Eastman Kodak Company.

2.12 "Exchange Act" means the Securities and Exchange Act of 1934, as amended.

2.13 "Key Employee" means an employee of the Company or a Subsidiary who holds a position of responsibility in a managerial, administrative, or professional capacity, and whose performance, as determined by the Committee in the exercise of its sole and absolute discretion, can have a significant effect on the growth, profitability, and success of the Company.

2.14 "Participant" means any individual to whom an Award has been granted by the Committee under this Plan.

2.15 "Plan" means the Eastman Kodak Company 1990 Omnibus Long-Term Compensation Plan.

2.16 "Stock Award" means an award granted pursuant to paragraph 10 hereof in the form of shares of Common Stock, restricted shares of Common Stock, and/or Units of Common Stock.

2.17 "Subsidiary" means a corporation or other business entity in which the Company directly or indirectly has an ownership interest of 80 percent or more.

2.18 "Unit" means a bookkeeping entry used by the Company to record and account for the grant of the following Awards until such time as the Award is paid, cancelled, forfeited or terminated, as the case may be; Units of Common Stock, performance units, and performance shares which are expressed in terms of Units of Common Stock.

3. Administration

The Plan shall be administered by the Committee. The Committee shall have the authority to: (a) interpret the Plan; (b) establish such rules and regulations as it deems necessary for the proper operation and administration of the Plan; (c) select Key Employees to receive Awards under the Plan; (d) determine the form of an Award, whether a stock option, stock appreciation

right, Stock Award, performance unit, performance share, or other incentive award established by the Committee in accordance with (h) below, the number of shares or Units subject to the Award, all the terms, conditions, restrictions and/or limitations, if any, of an Award, including the time and conditions of exercise or vesting, and the terms of any Award Notice; (e) determine whether Awards should be granted singly, in combination or in tandem; (f) grant waivers of Plan terms, conditions, restrictions, and limitations; (g) accelerate the vesting, exercise, or payment of an Award or the performance period of an Award when such action or actions would be in the best interest of the Company; (h) establish such other types of Awards, besides those specifically enumerated in paragraph 2.1 hereof, which the Committee determines are consistent with the Plan's purpose; and (i) take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan. In addition, in order to enable Key Employees who are foreign nationals or are employed outside the United States or both to receive Awards under the Plan, the Committee may adopt such amendments, procedures, regulations, subplans and the like as are necessary or advisable, in the opinion of the Committee, to effectuate the purposes of the Plan. The Committee shall also have the authority to grant Awards in replacement of Awards previously granted under this Plan or any other executive compensation plan of the Company or a Subsidiary. All determinations of the Committee shall be made by a majority of its members, and its determinations shall be final, binding and conclusive.

The Committee, in its discretion, may delegate its authority and duties under the Plan to the Chief Executive Officer and/or to other senior officers of the Company under such conditions and/or limitations as the Committee may establish; provided, however, that only the Committee may select and grant Awards to Participants who are subject to Section 16 of the Exchange Act.

4. Eligibility

Any Key Employee is eligible to become a Participant of the Plan.

In addition, any individual who on the effective date of the Plan is both (i) a former Key Employee of the Company or a Subsidiary, and (ii) a participant under the Eastman Kodak Company 1985 Long-Term Performance Award Plan (the "1985 Plan"), shall be eligible to become a Participant of the Plan. However, the participation of any such individual under the Plan shall be limited solely to receiving Awards granted by the Committee under this Plan in replacement of any unpaid or unearned award under the 1985 Plan on the effective date of the Plan.

5. Shares Available

The maximum number of shares of Common Stock, \$2.50 par value per share, of the Company which shall be available for grant of Awards under the Plan (including incentive stock options) during its term shall not exceed Twenty-Two Million Thirty-Three Thousand and Six Hundred (22,033,600). (Such amount shall be subject to adjustment as provided in paragraph 18.) Any shares of Common Stock related to Awards which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of such shares, are settled in cash in lieu of Common Stock, or are exchanged with the Committee's permission for Awards not involving Common Stock, shall be available again for grant under the Plan. Further, any shares of Common Stock which are used by a Participant for the full or partial payment to the Company of the purchase price of shares of Common Stock upon exercise of a stock option, or for any withholding taxes due as a result of such exercise, shall again be available for Awards under the Plan. Similarly, shares of Common Stock with respect to which an SAR has been exercised and paid in cash shall again be eligible for grant under the Plan. The shares of Common Stock available for issuance under the Plan may be authorized and unissued shares or treasury shares.

6. Term

The Plan shall become effective as of February 1, 1990, subject to its approval by the Company's shareholders at the 1990 annual meeting. No awards shall be exercisable or payable before approval of the Plan has been obtained from the Company's shareholders. Awards shall not be granted pursuant to the Plan after January 31, 1995.

7. Participation

The Committee shall select, from time to time, Participants from those Key Employees who, in the opinion of the Committee, can further the Plan's purposes. Once a Participant is so selected, the Committee shall determine the type or types of Awards to be made to the Participant and shall establish in the related Award Notices the terms, conditions, restrictions and/or limitations, if any, applicable to the Awards in addition to those set forth in this Plan and the administrative rules and regulations issued by the Committee.

8. Stock Options

(a) Grants. Awards may be granted in the form of stock options. These stock options may be incentive stock options within the meaning of Section 422A of the Code or non-qualified stock options (i.e., stock options which are not incentive stock options), or a combination of both.

(b) Terms and Conditions of Options. An option shall be exercisable in whole or in such installments and at such times as may be determined by the Committee. The price at which Common Stock may be purchased upon exercise of a stock option shall be established by the Committee, but such price shall not be less than 50 percent of the fair market value of the Common Stock, as determined by the Committee, on the date of the stock option's grant.

(c) Restrictions Relating to Incentive Stock Options. Stock options issued in the form of incentive stock options shall, in addition to being subject to all applicable terms, conditions, restrictions and/or limitations established by the Committee, comply with Section 422A of the Code. Accordingly, the aggregate fair market value (determined at the time the option was granted) of the Common Stock with respect to which incentive stock options are exercisable for the first time by a Participant during any calendar year (under this Plan or any other plan of the Company or any of its Subsidiaries) shall not exceed \$100,000 (or such other limit as may be required by the Code). Further, the per-share option price of an incentive stock option shall not be less than 100 percent of the fair market value of the Common Stock, as determined by the Committee, on the date of grant. Also, each option shall expire not later than ten years from its date of grant. The number of shares of Common Stock that shall be available for incentive stock options granted under the Plan is 16,000,000.

(d) Additional Terms and Conditions. The Committee may, by way of the Award Notice or otherwise, establish such other terms, conditions, restrictions and/or limitations, if any, of any stock option Award, provided they are not inconsistent with the Plan.

(e) Exercise. Upon exercise, the option price of a stock option may be paid in cash, shares of Common Stock, shares of restricted Common Stock, a combination of the foregoing, or such other consideration as the Committee may deem appropriate. The Committee shall establish appropriate methods for accepting Common Stock, whether restricted or unrestricted, and may impose such conditions as it deems appropriate on the use of such Common Stock to exercise a stock option.

9. Stock Appreciation Rights

(a) Grants. Awards may be granted in the form of stock appreciation rights ("SARs"). An SAR may be granted in tandem with all or a portion of a related stock option under the Plan ("Tandem SARs"), or may be granted separately ("Freestanding SARs"). A Tandem SAR may be granted either at the time of the grant of the related stock option or at any time thereafter during the term of the stock option. SARs shall entitle the recipient to receive a payment equal to the appreciation in market value of a stated number of shares of Common Stock from the exercise price to the market value on the date of exercise. In the case of SARs granted in tandem with stock options granted prior to the grant of such SARs, the appreciation in value is from the option price of such related stock option to the market value on the date of exercise.

(b) Terms and Conditions of Tandem SARs. A Tandem SAR shall be exercisable to the extent, and only to the extent, that the related stock option is exercisable, and the "exercise price" of such an SAR (the base from which the value of the SAR is measured at its exercise) shall be the option price under the related stock option. However, at no time shall a Tandem SAR be issued if the option price of its related stock option is less than 50 percent of the fair market value of the Common Stock, as determined by the Committee, on the date of the Tandem SAR's grant. If a related stock option is exercised as to some or all of the shares covered by the Award, the related Tandem SAR, if any, shall be cancelled automatically to the extent of the number of shares covered by the stock option exercise. Upon exercise of a Tandem SAR as to some or all of the shares covered by the Award, the related stock option shall be cancelled automatically to the extent of the number of shares covered by such exercise, and such shares shall again be eligible for grant in accordance with paragraph 5 hereof, except to the extent any shares of Common Stock are issued to settle the SAR.

(c) Terms and Conditions of Freestanding SARs. Freestanding SARs shall be exercisable in whole or in such installments and at such times as may be determined by the Committee. The exercise price of a Freestanding SAR shall also be determined by the Committee; provided, however, that such price shall not be less than 50 percent of the fair market value of the Common Stock, as determined by the Committee, on the date of the Freestanding SAR's grant.

(d) Deemed Exercise. The Committee may provide that an SAR shall be deemed to be exercised at the close of business on the scheduled expiration date of such SAR if at such time the SAR by its terms remains exercisable and, if so exercised, would result in a payment to the holder of such SAR.

(e) Additional Terms and Conditions. The Committee may, by way of the Award Notice or otherwise, determine such other terms, conditions, restrictions and/or limitations, if any, of any SAR Award, provided they are not inconsistent with the Plan.

10. Stock Awards

(a) Grants. Awards may be granted in the form of Stock Awards. Stock Awards shall be awarded in such numbers and at such times during the term of the Plan as the Committee shall determine.

(b) Award Restrictions. Stock Awards shall be subject to such terms, conditions, restrictions, and/or limitations, if any, as the Committee deems appropriate including, but not by way of limitation, restrictions on transferability and continued employment. The Committee may modify or accelerate the delivery of a Stock Award under such circumstances as it deems appropriate.

(c) Rights as Shareholders. During the period in which any restricted shares of Common Stock are subject to the restrictions imposed under paragraph 10(b), the Committee may, in its discretion, grant to the Participant to whom such restricted shares have been awarded all or any of the rights of a shareholder with respect to such shares, including, but not by way of limitation, the right to vote such shares and to receive dividends.

(d) Evidence of Award. Any stock award granted under the Plan may be evidenced in such manner as the Committee deems appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates.

11. Performance Units

(a) Grants. Awards may be granted in the form of performance units. Performance units, as that term is used in this Plan, shall refer to Units valued by reference to designated criteria established by the Committee, other than Common Stock.

(b) Performance Criteria. Performance units shall be contingent on the attainment during a performance period of certain performance objectives. The length of the performance period, the performance objectives to be achieved during the performance period, and the measure of whether and to what degree such objectives have been attained shall be conclusively determined by the Committee in the exercise of its absolute discretion. Performance objectives may be revised by the Committee, at such times as it deems appropriate during the performance period, in order to take into consideration any unforeseen events or changes in circumstances.

(c) Additional Terms and Conditions. The Committee may, by way of the Award Notice or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of performance units, provided they are not inconsistent with the Plan.

12. Performance Shares

(a) Grants. Awards may be granted in the form of performance shares. Performance shares, as that term is used in this Plan, shall refer to shares of Common Stock or Units which are expressed in terms of Common Stock.

(b) Performance Criteria. Performance shares shall be contingent upon the attainment during a performance period of certain performance objectives. The length of the performance period, the performance objectives to be achieved during the performance period, and the measure of whether and to what degree such objectives have been attained shall be conclusively determined by the Committee in the exercise of its absolute discretion. Performance objectives may be revised by the Committee, at such times as it deems appropriate during the performance period, in order to take into consideration any unforeseen events or changes in circumstances.

(c) Additional Terms and Conditions. The Committee may, by way of the Award Notice or otherwise, determine such other terms, conditions, restrictions and/or limitations, if any, of any Award of performance shares, provided they are not inconsistent with the Plan.

13. Payment of Awards

At the discretion of the Committee, payment of Awards may be made in cash, Common Stock, a combination of cash and Common Stock, or any other form of property as the Committee shall determine. In addition, payment of Awards may include such terms, conditions, restrictions and/or limitations, if any, as the Committee deems appropriate, including, in the case of Awards paid in the form of Common Stock, restrictions on transfer and forfeiture provisions. Further, payment of Awards may be made in the form of a lump sum or installments, as determined by the Committee.

14. Dividends and Dividend Equivalents

If an Award is granted in the form of a Stock Award, stock option, or performance share, or in the form of any other stock-based grant, the Committee may choose, at the time of the grant of the Award or any time thereafter up to the time of the Award's payment, to include as part of such Award an entitlement to receive dividends or dividend equivalents, subject to such terms, conditions, restrictions and/or limitations, if any, as the Committee may establish. Dividends and dividend equivalents shall be paid in such form and manner (i.e., lump sum or installments), and at such time as the Committee shall determine. All dividends or dividend equivalents which are not paid currently may, at the Committee's discretion, accrue interest, be reinvested into additional shares of Common Stock or, in the case of dividends or dividend equivalents credited in connection with performance shares, be credited as additional performance shares and paid to the Participant if and when, and to the extent that, payment is made pursuant to such Award.

15. Deferral of Awards

At the discretion of the Committee, payment of a Stock Award, performance share, performance unit, dividend, dividend equivalent, or any portion thereof may be deferred by a Participant until such time as the Committee may establish. All such deferrals shall be accomplished by the delivery of a written, irrevocable election by the Participant prior to the time such payment would otherwise be made, on a form provided by the Company. Further, all deferrals shall be made in accordance with administrative guidelines established by the Committee to ensure that such deferrals comply with all applicable requirements of the Code and its regulations. Deferred payments shall be paid in a lump sum or installments, as determined by the Committee. The Committee may also credit interest, at such rates to be determined by the Committee, on cash payments that are deferred and credit dividends or dividend equivalents on deferred payments denominated in the form of Common Stock.

16. Termination of Employment

If a Participant's employment with the Company or a Subsidiary terminates for a reason other than death, disability, retirement, or any approved reason, all unexercised, unearned, and/or unpaid Awards, including, but not by way of limitation, Awards earned but not yet paid, all unpaid dividends and dividend equivalents, and all interest accrued on the foregoing shall be cancelled or forfeited, as the case may be, unless the Participant's Award Notice provides otherwise. The Committee shall have the authority to promulgate rules and regulations to (i) determine what events constitute disability, retirement, or termination for an approved reason for purposes of the Plan, and (ii) determine the treatment of a Participant under the Plan in the event of his death, disability, retirement or termination for an approved reason. Anything herein to the contrary notwithstanding, Participants who cease to be employed by the Company or a Subsidiary and are employed by Eastman Chemical Company or one of its subsidiaries in connection with the distribution of the common stock of Eastman Chemical Company to the shareholders of the Company, shall not be deemed to have terminated employment for purposes of this Plan and all Awards outstanding on the date of such distribution.

17. Nonassignability

No Awards or any other payment under the Plan shall be subject in any manner to alienation, anticipation, sale, transfer (except by will or the laws of descent and distribution), assignment, pledge, or encumbrance, nor shall any Award be payable to or exercisable by anyone other than the Participant to whom it was granted.

18. Adjustment of Shares Available

If there is any change in the number of outstanding shares of Common Stock through the declaration of stock dividends, stock splits or the like, the number of shares available for Awards, the shares subject to any Award and the option prices or exercise prices of Awards shall be automatically adjusted. If there is any change in the number of outstanding shares of Common Stock through any change in the capital account of the Company, or through any other transaction referred to in Section 425(a) of the Code, the Committee shall make appropriate adjustments in the maximum number of shares of Common Stock which may be issued under the Plan and any adjustments and/or modifications to outstanding Awards as it deems appropriate. In the event of any other change in the capital structure or in the Common Stock of the Company, the Committee shall also be authorized to make such appropriate adjustments in the maximum number of shares of Common Stock available for issuance under the Plan and any adjustments and/or modifications to outstanding Awards as it deems appropriate.

19. Withholding Taxes

The Company shall be entitled to deduct from any payment under the Plan, regardless of the form of such payment, the amount of all applicable income and employment taxes required by law to be withheld with respect to such payment or may require the Participant to pay to it such tax prior to and as a condition of the making of such payment. In accordance with any applicable administrative guidelines it establishes, the Committee may allow a Participant to pay the amount of taxes required by law to be withheld from an Award by withholding from any payment of Common Stock due as a result of such Award, or by permitting the Participant to deliver to the Company, shares of Common Stock having a fair market value, as determined by the Committee, equal to the amount of such required withholding taxes.

20. Noncompetition Provision

Unless the Award Notice specifies otherwise, a Participant shall forfeit all unexercised, unearned, and/or unpaid Awards, including, but not by way of limitation, Awards earned but not yet paid, all unpaid dividends and dividend equivalents, and all interest, if any, accrued on the foregoing if, (i) in the opinion of the Committee, the Participant, without the written consent of the Company, engages directly or indirectly in any manner or capacity as principal, agent, partner, officer, director, employee, or otherwise, in any business or activity competitive with the business conducted by the Company or any Subsidiary; or (ii) the Participant performs any act or engages in any activity which in the opinion of the Chief Executive Officer of the Company is inimical to the best interests of the Company. In addition, the Committee may, in its discretion, condition the deferral of any Award, dividend, or dividend equivalent under paragraph 15 hereof on a Participant's compliance with the terms of this paragraph 20, and cause such a Participant to forfeit any payment which is so deferred if the Participant fails to comply with the terms hereof.

21. Amendments to Awards

The Committee may at any time unilaterally amend any unexercised, unearned, or unpaid Award, including, but not by way of limitation, Awards earned but not yet paid, to the extent it deems appropriate; provided, however, that any such amendment which, in the opinion of the Committee, is adverse to the Participant shall require the Participant's consent.

22. Regulatory Approvals and Listings

Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates of Common Stock evidencing Stock Awards or any other Award resulting in the payment of Common Stock prior to (a) the obtaining of any approval from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable, (b) the admission of such shares to listing on the stock exchange on which the Common Stock may be listed, and (c) the completion of any registration or other qualification of said shares under any state or federal law or ruling of any governmental body which the Company shall, in its sole discretion, determine to be necessary or advisable.

23. No Right to Continued Employment or Grants

Participation in the Plan shall not give any Key Employee any right to remain in the employ of the Company or any Subsidiary. The Company or, in the case of employment with a Subsidiary, the Subsidiary, reserves the right to terminate any Key Employee at any time. Further, the adoption of this Plan shall not be deemed to give any Key Employee or any other individual any right to be selected as a Participant or to be granted an Award.

24. Amendment

The Committee may suspend or terminate the Plan at any time. In addition, the Committee may, from time to time, amend the Plan in any manner, but may not without shareholder approval adopt any amendment which would (a) materially increase the benefits accruing to Participants under the Plan, (b) materially increase the number of shares of Common Stock which may be issued under the Plan (except as specified in paragraph 18), or (c) materially modify the requirements as to eligibility for participation in the Plan.

25. Governing Law

The Plan shall be governed by and construed in accordance with the laws of the State of New York, except as superseded by applicable Federal Law.

26. Change In Ownership

(a) Background. Upon a Change In Ownership: (i) the terms of this paragraph 26 shall immediately become operative, without further action or consent by any person or entity; (ii) all terms, conditions, restrictions, and limitations in effect on any unexercised, unearned, unpaid, and/or deferred Award, or any other outstanding Award, shall immediately lapse as of the date of such event; (iii) no other terms, conditions, restrictions and/or limitations shall be imposed upon any Awards on or after such date, and in no circumstance shall an Award be forfeited on or after such date; (iv) all unexercised, unvested, unearned, and/or unpaid Awards or any other outstanding Awards shall automatically become one hundred percent (100%) vested immediately.

(b) Dividends and Dividend Equivalents. Upon a Change In Ownership, all unpaid dividends and dividend equivalents and all interest accrued thereon, if any, shall be treated and paid under this paragraph 26 in the identical manner and time as the Award under which such dividends or dividend equivalents have been credited. For example, if upon a Change In Ownership, an Award under this paragraph 26 is to be paid in a prorated fashion, all unpaid dividends and dividend equivalents with respect to such Award shall be paid according to the same formula used to determine the amount of such prorated Award.

(c) Treatment of Performance Units and Performance Shares. If a Change In Ownership occurs during the term of one or more performance periods for which the Committee has granted performance units and/or performance shares (hereinafter a "current performance period"), the term of each such performance period shall immediately terminate upon the occurrence of such event. Upon a Change In Ownership, for each "current performance period" and each completed performance period for which the Committee has not on or before such date made a determination as to whether and to what degree the performance objectives for such period have been attained (hereinafter a "completed performance period"), it shall be assumed that the performance objectives have been attained at a level of one hundred percent (100%) or the equivalent thereof.

A Participant in one or more "current performance periods" shall be considered to have earned and, therefore, be entitled to receive, a prorated portion of the Awards previously granted to him for each such performance period. Such prorated portion shall be determined by multiplying the number of performance shares or performance units, as the case may be, granted to the Participant by a fraction, the numerator of which is the total number of whole and partial years (with each partial year being treated as a whole year) that have elapsed since the beginning of the performance period, and the denominator of which is the total number of years in such performance period.

A Participant in one or more "completed performance periods" shall be considered to have earned and, therefore, be entitled to receive all the performance shares or performance units, as the case may be, previously granted to him during each such performance period.

(d) Valuation of Awards. Upon a Change In Ownership, all outstanding Units of Common Stock, Freestanding SARs, stock options (including incentive stock options), and performance shares (including those earned as a result of the application of paragraph 26(c) above) and all other outstanding stock-based Awards, including those granted by the Committee pursuant to its authority under paragraph 3(h) hereof, shall be valued and cashed out on the basis of the Change In Control Price.

(e) Payment of Awards. Upon a Change In Ownership, any Participant, whether or not he is still employed by the Company or a Subsidiary, shall be paid, in a single lump-sum cash payment, as soon as practicable but in no event later than 90 days after the Change In Ownership, all of his outstanding Units of Common Stock, Freestanding SARs, stock options (including incentive stock options), performance units (including those earned as a result of the application of paragraph 26(c) above), and performance shares (including those earned as a result of paragraph 26(c) above), and all other outstanding Awards, including those granted by the Committee pursuant to its authority under paragraph 3(h) hereof.

(f) Deferred Awards. Upon a Change In Ownership, all Awards deferred by a Participant under paragraph 15 hereof, but for which he has not received payment as of such date, shall be paid to him in a single lump-sum cash payment as soon as practicable, but in no event later than 90 days after the Change In Ownership. For purposes of making such payment, the value of all Awards which are stock based shall be determined by the Change In Control Price.

27. Change In Control

(a) Background. All Participants shall be eligible for the treatment afforded by this Paragraph 27 if their employment terminates within two years following a Change In Control, unless the termination is due to (i) death, (ii) disability entitling the Participant to benefits under his employer's long-term disability plan, (iii) Cause, (iv) resignation other than (A) resignation from a declined reassignment to a job that is not reasonably equivalent in responsibility or compensation (as defined in the Company's Termination Allowance Plan), or that is not in the same geographic area (as defined in the Company's Termination Allowance Plan), or (B) resignation within thirty days following a reduction in base pay, or (v) retirement entitling the Participant to benefits under his employer's retirement plan.

(b) Vesting and Lapse of Restrictions. If a Participant is eligible for treatment under this paragraph 27, (i) all of the terms, conditions, restrictions, and limitations in effect on any of his unexercised, unearned, unpaid and/or deferred Awards shall immediately lapse as of the date of his termination of employment; (ii) no other terms, conditions, restrictions and/or limitations shall be imposed upon any of his Awards on or after such date, and in no event shall any of his Awards be forfeited on or after such date; and (iii) all of his unexercised, unvested, unearned and/or unpaid Awards shall automatically become one hundred percent (100%) vested immediately upon his termination of employment.

(c) Dividends and Dividend Equivalents. If a Participant is eligible for treatment under this paragraph 27, all of his unpaid dividends and dividend equivalents and all interest accrued thereon, if any, shall be treated and paid under this Paragraph 27 in the identical manner and time as the Award under which such dividends or dividend equivalents have been credited.

(d) Treatment of Performance Units and Performance Shares. If a Participant holding either performance units or performance shares is terminated under the conditions described in (a) above, the provisions of this paragraph (d) shall determine the manner in which such performance units and/or performance shares shall be paid to him. For purposes of making such payment, each "current performance period," as that term is defined in paragraph 26(c) hereof, shall be treated as terminating upon the date of the Participant's termination of employment, and for each such "current performance period" and each "completed performance period," as that term is defined in paragraph 26(c) hereof, it shall be assumed that the performance objectives have been attained at a level of one hundred percent (100%) or the equivalent thereof. If the Participant is participating in one or more "current performance periods," he shall be considered to have earned and, therefore, be entitled to receive that prorated portion of the Awards previously granted to him for each such performance period, as determined in accordance with the formula established in paragraph 26(c) hereof. A Participant in one or more "completed performance periods" shall be considered to have earned and, therefore, be entitled to receive all the performance shares and performance units previously granted to him during each performance period.

(e) Valuation of Awards. If a Participant is eligible for treatment under this paragraph 27, his Awards shall be valued and cashed out in accordance with the provisions of paragraph 26(d) hereof.

(f) Payment of Awards. If a Participant is eligible for treatment under this paragraph 27, he shall be paid, in a single lump-sum cash payment, as soon as practicable but in no event later than 90 days after the date of his termination of employment, all of his outstanding Units of Common Stock, Freestanding SARs, stock options (including incentive stock options), performance units (including those earned as a result of the application of paragraph 27(d) above), and performance shares (including those earned as a result of paragraph 27(d) above), and all of his other outstanding Awards, including those granted by the Committee pursuant to its authority under paragraph 3(h) hereof.

(g) Deferred Awards. If a Participant is eligible for treatment under this paragraph 27, all of his deferred Awards for which he has not received payment as of the date of his termination of employment shall be paid to him in a single lump-sum cash payment as soon as practicable, but in no event later than 90 days after the date of his termination. For purposes of making such payment, the value of all Awards which are stock based shall be determined by the Change In Control Price.

(h) Section 16 of Exchange Act. Notwithstanding anything contained in this paragraph 27 to the contrary, any Participant who, on the date of his termination of employment under the conditions described in subparagraph (a) above, holds any stock options or Freestanding SARs that have not been outstanding for a period of at least six months from their date of grant and who on the date of such termination is required to report under Section 16 of the Exchange Act shall not be paid such Award until the first day next following the end of such six-month period.

(i) Miscellaneous. Upon a Change In Control, (i) the provisions of paragraphs 16, 20 and 21 hereof shall become null and void and of no force and effect insofar as they apply to a Participant who has been terminated under the conditions described in (a) above; and

(ii) no action, including, but not by way of limitation, the amendment, suspension or termination of the Plan, shall be taken which would affect the rights of any Participant or the operation of the Plan with respect to any Award to which the Participant may have become entitled hereunder on or prior to the date of the Change In Control or to which he may become entitled as a result of such Change In Control.

(j) Legal Fees. The Company shall pay all legal fees and related expenses incurred by a Participant in seeking to obtain or enforce any payment, benefit or right he may be entitled to under the Plan after a Change In Control; provided, however, the Participant shall be required to repay any such amounts to the Company to the extent a court of competent jurisdiction issues a final and non-appealable order setting forth the determination that the position taken by the Participant was frivolous or advanced in bad faith.

28. No Right, Title, or Interest in Company Assets

No Participant shall have any rights as a shareholder as a result of participation in the Plan until the date of issuance of a stock certificate in his name, and, in the case of restricted shares of Common Stock, such rights are granted to the Participant under paragraph 10(c) hereof. To the extent any person acquires a right to receive payments from the Company under this Plan, such rights shall be no greater than the rights of an unsecured creditor of the Company.

29. Gender

Throughout this Plan, the masculine gender shall include the feminine.

Exhibit (10) H.

EASTMAN KODAK COMPANY

MANAGEMENT VARIABLE COMPENSATION PLAN

Article Page

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1996, Eastman Kodak Company

ARTICLE 1 -- PURPOSE, EFFECTIVE DATE AND TERM OF PLAN

1.1 Purpose

The purposes of the Plan are to provide an annual incentive to Key Employees of the Company to put forth maximum efforts toward the continued growth and success of the Company, to encourage such Key Employees to remain in the employ of the Company, to assist the Company in attracting and motivating new Key Employees on a competitive basis, and to endeavor to qualify the Awards granted to Covered Employees under the Plan as performance-based compensation as defined in Section 162(m) of the Code. The Plan is intended to apply to Key Employees of the Company in the United States and throughout the world.

1.2 Effective Date

The Plan shall be effective as of January 1, 1995, subject to approval by Kodak's shareholders at the 1995 Annual Meeting of the Shareholders of Kodak.

1.3 Term

Awards shall not be granted pursuant to the Plan after December 31, 1999; provided, however, the Committee may grant Awards after such date in recognition of performance for a Performance Period completed on or prior to such date.

ARTICLE 2 -- DEFINITIONS

2.1 Actual Award Pool

"Actual Award Pool" means, for a Performance Period, the amount determined in accordance with Section 6.4.

2.2 Average Net Assets

"Average Net Assets" means, for the Performance Period, the simple average of the Company's Net Assets for each of the following five fiscal quarters of the Company: the four fiscal quarters of the Performance Period and the fiscal quarter immediately preceding the Performance Period. For purposes of this calculation, Net Assets for a fiscal quarter shall be determined as of the end of such quarter.

2.3 Award

"Award" means the compensation granted to a Participant by the Committee for a Performance Period pursuant to Articles 6 and 7 or the compensation granted to a Key Employee by the Committee pursuant to Article 9. All Awards shall be issued in the form(s) specified by Article 5.

2.4 Award Payment Date

"Award Payment Date" means, for each Performance Period, the date that the amount of the Award for that Performance Period shall be paid to the Participant under Article 7, without regard to any election to defer receipt of the Award made by the Participant under Article 8 of the Plan.

2.5 Board

"Board" means the Board of Directors of Kodak.

2.6 Carryforward Amount

"Carryforward Amount" means, for any Performance Period, the sum of the Carryovers for all prior Performance Periods less the sum of all Awards granted from the Carryforward Amount pursuant to Sections 6.4(d) and 9.5.

2.7 Carryover

"Carryover" means, for a Performance Period, that portion, if any, or all of the difference, if any, between the Maximum Award for such Performance Period and the sum of all Awards paid under the Plan for such Performance Period, which the Committee elects to add to the Carryforward Amount.

2.8 Cause

"Cause" means (a) the willful and continued failure by a Key Employee to substantially perform his or her duties with his or her employer after written warnings identifying the lack of substantial performance are delivered to the Key Employee by his or her employer to specifically identify the manner in which the employer believes that the Key Employee has not substantially performed his or her duties; or (b) the willful engaging by a Key Employee in illegal conduct which is materially and demonstrably injurious to the Company.

2.9 CEO

"CEO" means the Chief Executive Officer of Kodak.

2.10 Change In Control

"Change In Control" means a change in control of Kodak of a nature that would be required to be reported (assuming such event has not been "previously reported") in response to Item 1(a) of the Current Report on Form 8-K, as in effect on August 1, 1989, pursuant to Section 12 or 15 (d) of the Exchange Act; provided that, without limitation, a Change In Control shall be deemed to have occurred at such time as (i) any "person" within the meaning of

Section 13(d) of the Exchange Act, other than Kodak, a Subsidiary, or any employee benefit plan(s) sponsored by Kodak or any Subsidiary, is or has become the "beneficial owner," as defined in Rule 12d-3 under the Exchange Act, directly or indirectly, of 25% or more of the combined voting power of the outstanding securities of Kodak ordinarily having the right to vote at the election of directors, or (ii) individuals who constitute the Board on January 1, 1995 (the "Incumbent Board") have ceased for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to January 1, 1995 whose election, or nomination for election by Kodak's shareholders, was approved by a vote of at least three-quarters (3/4) of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of Kodak in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board.

2.11 Change In Ownership

"Change In Ownership" means a Change In Control which results directly or indirectly in Kodak's Common Stock ceasing to be actively traded on the New York Stock Exchange.

2.12 Code

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations thereto.

2.13 Committee

"Committee" means the Executive Compensation and Development Committee of the Board, or such other Board committee as may be designated by the Board to administer the Plan; provided that the Committee shall consist of three or more directors, all of whom are both a "Non-Employee Director" within the meaning of Rule 16b-3 under the Exchange Act and an "outside director" within the meaning of the definition of such term as contained in Proposed Treasury Regulation Section 1.162- 27(e)(3), or any successor definition adopted.

2.14 Common Stock

"Common Stock" means the common stock, \$2.50 par value per share, of Kodak which may be newly issued or treasury stock.

2.15 Company

"Company" means Kodak and its Subsidiaries.

2.16 Covered Employee

"Covered Employee" means a Key Employee who is a "Covered Employee" within the meaning of Section 162(m) of the Code.

2.17 Disability

"Disability" means a disability under the terms of any long-term disability plan maintained by the Company.

2.18 Effective Date

"Effective Date" means the date an Award is determined to be effective by the Committee upon its grant of such Award.

2.19 Exchange Act

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provisions and rules thereto.

2.20 Key Employee

"Key Employee" means:

(a) either (1) a salaried employee of the Company in wage grade 48 or above, or the equivalent thereof; or (2) a salaried employee of the Company who holds a position of responsibility in a managerial, administrative, or professional capacity and is in wage grade 43 or above: provided, however, that the persons described in Subsection (b) below of this Section 2.20 are not Key Employees.

(b) The following persons are not Key Employees:

(1) Any person employed by the Company who: (i) is offered a position of employment by Danka; (ii) accepts such offer of employment; and (iii) is employed by Danka on January 1, 1997.

(2) Any person employed by the Company who; (i) is disabled and receiving benefits under the Short Term Disability Plan on January 1, 1997; (ii) does not have a "Continuous Disability" (as defined in Section 2.06 of the Short Term Disability Plan) as a result of such disability for a period in excess of 180 days; (iii) returns to work for the Company prior to March 14, 1997, (iv) is offered a position of employment by Danka; (v) accepts such offer of employment; and (vi) is employed by Danka prior to March 14, 1997; and

(3) Any person employed by the Company who; (i) is on a leave of absence on January 1, 1997; (ii) returns to work for the Company prior to March 14, 1997, (iii) is offered a position of employment by Danka; (iv) accepts such offer of employment; and (v) is employed by Danka prior to March 14, 1997.

2.21 Kodak

"Kodak" means Eastman Kodak Company.

2.22 Maximum Award

"Maximum Award" means, for a Performance Period, the dollar amount calculated in accordance with Section 6.2 by applying the Performance Formula for such Performance Period against the Performance Goals for the same Performance Period.

2.23 Maximum Award Pool

"Maximum Award Pool" means, for a Performance Period, the dollar amount calculated in accordance with Section 6.3(b) by adding the Maximum Award for the Performance Period with the Carryforward Amount.

2.24 Negative Discretion

"Negative Discretion" means the discretion granted to the Committee pursuant to Section 6.3(e) to reduce or eliminate the Maximum Award Pool or a portion of the Maximum Award Pool allocated to a Covered Employee.

2.25 Net Assets

"Net Assets" means the Company's consolidated Total Shareholders' Equity and Borrowings (both short-term and long-term) as reported in its audited consolidated financial statements. The Committee is authorized at any time during the first 90 days of a Performance Period, or at any time thereafter in its sole and absolute discretion, to adjust or modify the calculation of Net Assets for such Performance Period in order to prevent the dilution or enlargement of the rights of Participants, (a) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development; (b) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions; and (c) in view of the Committee's assessment of the business strategy of the Company, performance of comparable organizations, economic and business conditions, and any other circumstances deemed relevant. However, if and to the extent the exercise of such authority after the first 90 days of a Performance Period would cause the Awards granted to the Covered Employees for the Performance Period to fail to qualify as "Performance-Based Compensation" under Section 162(m) of the Code, then such authority shall only be exercised with respect to those Participants who are not Covered Employees.

2.26 Net Income

"Net Income" means, for a Performance Period, the Company's consolidated Net Earnings (Loss) before Cumulative Effect of changes in Accounting Principle for the Performance Period as reported in its audited consolidated financial statements. The Committee is authorized at any time during the first 90 days of a Performance Period, or at any time thereafter in its sole and absolute discretion, to adjust or modify the calculation of Net Income for such Performance Period in order to prevent the dilution or enlargement of the rights of Participants, (a) in the event of, or in anticipation of, any

dividend or other distribution (whether in the form of cash, securities or other property), recapitalization, restructuring, reorganization, merger, consolidation, spin off, combination, repurchase, share exchange, liquidation, dissolution, or other similar corporate transaction, event or development; (b) in recognition of, or in anticipation of, any other unusual or nonrecurring event affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions; (c) in recognition of, or in anticipation of, any other extraordinary gains or losses; and (d) in view of the Committee's assessment of the business strategy of the Company, performance of comparable organizations, economic and business conditions, and any other circumstances deemed relevant. However, if and to the extent the exercise of such authority after the first 90 days of a Performance Period would cause the Awards granted to the Covered Employees for the Performance Period to fail to qualify as "Performance-Based Compensation" under Section 162(m) of the Code, then such authority shall only be exercised with respect to those Participants who are not Covered Employees.

2.27 Participant

"Participant," means either (a) for a Performance Period, a Key Employee who is designated to participate in the Plan for the Performance Period pursuant to Article 3; or (b) for purposes of Article 9, a Key Employee who is granted an Award pursuant to such Article.

2.28 Performance Criterion

"Performance Criterion" means the stated business criterion upon which the Performance Goals for a Performance Period are based as required pursuant to Proposed Treasury Regulation Section 1.162-27(e)(4)(iii). For purposes of the Plan, RONA shall be the Performance Criterion.

2.29 Performance Formula

"Performance Formula" means, for a Performance Period, the one or more objective formulas applied against the Performance Goals to determine whether all, some portion but less than all, or none of the Awards have been earned for the Performance Period. The dollar amount obtained through application of the Performance Formula shall be the Maximum Award. The Performance Formula for a Performance Period shall be established in writing by the Committee within the first 90 days of the Performance Period (or, if later, within the maximum period allowed pursuant to Section 162(m) of the Code).

2.30 Performance Goals

"Performance Goals" means, for a Performance Period, the one or more goals for the Performance Period established by the Committee in writing within the first 90 days of the Performance Period (or, if longer, within the maximum period allowed pursuant to Section 162(m) of the Code) based upon the Performance Criterion. The Committee is authorized at any time during the first 90 days of a Performance Period, or at any time thereafter in its sole and absolute discretion, to adjust or modify the calculation of a Performance Goal for such Performance Period in order to prevent the dilution or enlargement of the rights of Participants, (a) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development; (b) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions; and (c) in view of the Committee's assessment of the business strategy of the Company, performance of comparable organizations, economic and business conditions, and any other circumstances deemed relevant.

However, to the extent the exercise of such authority after the first 90 days of a Performance Period would cause the Awards granted to the Covered Employees for the Performance Period to fail to qualify as "Performance- Based Compensation" under Section 162(m) of the Code, then such authority shall only be exercised with respect to those Participants who are not Covered Employees.

2.31 Performance Period

"Performance Period" means Kodak's fiscal year or any other period designated by the Committee with respect to which an Award may be granted.

2.32 Plan

"Plan" means the Management Variable Compensation Plan.

2.33 Retirement

"Retirement" means retirement under any defined benefit pension plan maintained by the Company which is either a tax-qualified plan under Section 401(a) of the Code or is identified in writing by the Committee as a defined benefit pension plan.

2.34 RONA

"RONA" means, for a Performance Period, Return on Net Assets for the Performance Period. RONA shall be calculated by dividing Net Income for the Performance Period by Average Net Assets for the same period.

2.35 Subsidiary

"Subsidiary" means a subsidiary which is majority owned by Kodak and reported in Kodak's audited consolidated financial statements.

2.36 Target Award

"Target Award" means, for a Performance Period, the target award amounts established for each wage grade by the Committee for the Performance Period. The Target Awards shall serve only as a guideline in making Awards under the Plan. Depending upon the Committee's exercise of its discretion pursuant to Section 6.4(c), but subject to Section 6.5, a Participant may receive an Award for a Performance Period which may be more or less than the Target Award for his or her wage grade for that Performance Period. Moreover, the fact that a Target Award is established for a Participant's wage grade for a Performance Period shall not in any manner entitle the Participant to receive an Award for such period.

ARTICLE 3 -- ELIGIBILITY

All Key Employees are eligible to participate in the Plan. The Committee will, in its sole discretion, designate within the first 90 days of a Performance Period which Key Employees will be Participants for such Performance Period. However, the fact that a Key Employee is a Participant for a Performance Period shall not in any manner entitle such Participant to receive an Award for the period. The determination as to whether or not such Participant shall be paid an Award for such Performance Period shall be decided solely in accordance with the provisions of Articles 6 and 7 hereof.

ARTICLE 4 -- PLAN ADMINISTRATION

4.1 Responsibility

The Committee shall have total and exclusive responsibility to control, operate, manage and administer the Plan in accordance with its terms.

4.2 Authority of the Committee

The Committee shall have all the authority that may be necessary or helpful to enable it to discharge its responsibilities with respect to the Plan. Without limiting the generality of the preceding sentence, the Committee shall have the exclusive right: to interpret the Plan, to determine eligibility for participation in the Plan, to decide all questions concerning eligibility for and the amount of Awards payable under the Plan, to establish and administer the Performance Goals and certify whether, and to what extent, they are attained, to construe any ambiguous provision of the Plan, to correct any default, to supply any omission, to reconcile any inconsistency, to issue administrative guidelines as an aid to administer the Plan, to make regulations for carrying out the Plan and to make changes in such regulations as they from time to time deem proper, and to decide any and all questions arising in the administration, interpretation, and application of the Plan. In addition, in order to enable Key Employees who are foreign nationals or are employed outside the United States or both to receive Awards under the Plan, the Committee may adopt such amendments, procedures, regulations, subplans and the like as are necessary or advisable, in the opinion of the Committee, to effectuate the purposes of the Plan.

4.3 Discretionary Authority

The Committee shall have full discretionary authority in all matters related to the discharge of its responsibilities and the exercise of its authority under the Plan including, without limitation, its construction of the terms of the Plan and its determination of eligibility for participation and Awards under the Plan. It is the intent of Plan that the decisions of the Committee and its action with respect to the Plan shall be final, binding and conclusive upon all persons having or claiming to have any right or interest in or under the Plan.

4.4 Section 162(m) of the Code

With regard to all Covered Employees, the Plan shall for all purposes be interpreted and construed in accordance with Section 162(m) of the Code.

4.5 Delegation of Authority

Except to the extent prohibited by law, the Committee may delegate some or all of its authority under the Plan to any person or persons provided that any such delegation be in writing; provided, however, only the Committee may select and grant Awards to Participants who are Covered Employees.

ARTICLE 5 -- FORM OF AWARDS

Awards may at the Committee's sole discretion be paid in cash, Common Stock or a combination thereof. The Committee may, in its sole judgment, subject an Award to such terms, conditions, restrictions and/or limitations (including, but not limited to, restrictions on transferability and vesting), provided they are not inconsistent with the terms of the Plan. For purposes of the Plan, the value of any Award granted in the form of Common Stock shall be the mean between the high and low at which the Common Stock trades on the New York Stock Exchange as of the date of the grant's Effective Date.

ARTICLE 6 -- DETERMINATION OF AWARDS FOR A PERFORMANCE PERIOD

6.1 Procedure for Determining Awards

As detailed below in the succeeding Sections of this Article 6, the procedure for determining Awards for a Performance Period entails the following: (a) determination of Maximum Award; (b) determination of Maximum Award Pool; (c) determination of Actual Award Pool; and (d) allocation of Actual Award Pool among individual Participants. Upon completion of this process, any Awards earned for the Performance Period shall be paid in accordance with Article 7.

6.2 Determination of Maximum Award

- (a) Purpose of Maximum Award. The Maximum Award for a Performance Period is an addend in the calculation of the Maximum Award Pool for such Performance Period.
- (b) Calculation of Maximum Award. The Maximum Award for a Performance Period is the dollar amount obtained by applying the Performance Formula for such Performance Period against the Performance Goals for the same Performance Period.

6.3 Determination of Maximum Award Pool

- (a) Purpose of Maximum Award Pool. The Maximum Award Pool, for a Performance Period, serves as the basis for calculating the maximum amount of Awards that may be granted to all Participants for such Performance Period.
- (b) Calculation of Maximum Award Pool. The Maximum Award Pool for a Performance Period shall be calculated by adding the Maximum Award for such Performance Period with the Carryforward Amount.
- (c) Limitation. The total of all Awards granted for a Performance Period shall not exceed the amount of the Maximum Award Pool for such Performance Period.
- (d) Allocation of Maximum Award Pool to Covered Employees. Within the first 90 days of a Performance Period (or, if longer, within the maximum period allowed under Section 162(m) of the Code), the Committee shall allocate in writing, or establish in writing an objective means of allocating, on behalf of each Covered Person, a portion of the Maximum Award Pool (not to exceed the amount set forth in Section 6.5(a)) to be granted for such Performance Period in the event the Performance Goals for such period are attained.
- (e) Negative Discretion. The Committee is authorized at any time during or after a Performance Period, in its sole and absolute discretion, to reduce or eliminate the Maximum Award Pool for the Performance Period, for any reason, based on such factors, indicia, standards, goals, and/or measures it determines in the exercise of its sole discretion. Similarly, the Committee is authorized at any time during or after a Performance Period, in its sole and absolute discretion, to reduce or eliminate the portion of the Maximum Award Pool allocated to any Covered Employee for the Performance Period, for any reason.

6.4 Determination of Actual Award Pool

- (a) Purpose of Actual Award Pool. The Actual Award Pool for a Performance Period determines the aggregate amount of all the Awards that are to be issued under the Plan for such Performance Period.
- (b) Establishment of Actual Award Pool. The Actual Award Pool for a Performance Period shall be the Maximum Award Pool for such period after adjustment, if any, by the Committee through Negative Discretion. Thus, to the extent the Committee elects for a Performance Period not to exercise Negative Discretion with respect to the Maximum Award Pool, the Actual Award Pool for the Performance Period shall be the Maximum Award Pool for such period.

(c) Allocation of Actual Award Pool to Individual Participants. The portion of the Actual Award Pool that will be awarded to any individual Participant will be determined by the Committee, in its sole and absolute discretion, based on such factors, indicia, standards, goals, and measures which it determines in the exercise of its sole discretion. By way of illustration, and not by way of limitation, the Committee may, but shall not be required to, consider: (1) the Participant's position and level of responsibility, individual merit, contribution to the success of the Company and Target Award; (2) the performance of the Company or the organizational unit of the Participant based upon attainment of financial and other performance criteria and goals; and (3) business unit, division or department achievements.

(d) Adjustment to Carryforward Amount. To the extent the sum of all Awards paid for a Performance Period exceeds the Maximum Award for such period, the Carryforward Amount shall be reduced by an amount equal to such difference.

6.5 Limitations on Awards to Covered Employees

The provisions of this Section 6.5 shall control over any Plan provision to the contrary.

(a) Maximum Award Payable to Covered Employees. The maximum Award payable to any Covered Employee under the Plan for a Performance Period shall be \$4,000,000.

(b) Attainment of Performance Goals. The Performance Goals for a Performance Period must be achieved in order for a Covered Employee to receive an Award for such Performance Period.

(c) Allocation of Actual Award Pool. The portion of the Actual Award Pool allocated to a Covered Employee by the Committee pursuant to Section 6.4(c) shall not exceed the portion of the Maximum Award Pool allocated to such Covered Employee under Section 6.3(d).

ARTICLE 7 -- PAYMENT OF AWARDS FOR A PERFORMANCE PERIOD

7.1 Certification

(a) In General. Following the completion of each Performance Period, the Committee shall meet to review and certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved.

(b) Performance Goals Achieved. If the Committee certifies that the Performance Goals have been achieved, it shall, based upon application of the Performance Formula to the Performance Goals for such period, calculate and certify in writing the amount of: (i) the Maximum Award; (ii) the Maximum Award Pool; and (iii) the Maximum Award Pool to be allocated to each Covered Employee in accordance with Section 6.3 (d). Upon completion of these written certifications, the Committee shall determine the amount of the Actual Award Pool for the Performance Period.

(c) Performance Goals Not Achieved. In the event the Performance Goals for a Performance Period are not achieved, the limitation contained in Section 6.5(b) shall apply to the Covered Employees. Further, any Awards granted for the Performance Period must be paid from the Carryforward Amount which shall be reduced to reflect the amount of such Awards.

7.2 Election of Form of Award

Prior to or coincident with its calculation of the amount of the Actual Award Pool for a Performance Period, the Committee shall, in its sole discretion, determine the form(s) in which to grant Awards under the Plan for such period.

7.3 Timing of Award Payments

Unless deferred pursuant to Article 8 hereof, the Awards granted for a Performance Period shall be paid to Participants on the Award Payment Date for such Performance Period, which date shall occur as soon as administratively practicable following the completion of the procedure described in Section 7.1.

ARTICLE 8 -- DEFERRAL OF AWARDS

At the discretion of the Committee, a Participant may, subject to such terms and conditions as the Committee may determine, elect to defer payment of all or any part of any Award which the Participant might earn with respect to a Performance Period by complying with such procedures as the Committee may prescribe. Any Award, or portion thereof, upon which such an election is made shall be deferred into, and subject to the terms, conditions and requirements of, the Eastman Kodak Employees' Savings and Investment Plan, 1982 Eastman Kodak Company Executive Deferred Compensation Plan or such other applicable deferred compensation plan of the Company.

ARTICLE 9 -- ADDITIONAL AWARDS

9.1 In General

In addition to the Awards that are authorized to be granted under Article 6 and paid under Article 7 for a Performance Period, the Committee may, in its sole judgment, from time to time grant Awards under the Plan from the Carryforward Amount.

9.2 Eligibility

All Key Employees, other than those who are Covered Employees, are eligible to receive the Awards authorized to be granted under this Article 9.

9.3 Form of Awards

Any Award granted by the Committee pursuant to the provisions of this Article 9 shall be issued in one or more of the forms permitted under Article 5 of the Plan.

9.4 Terms and Conditions

The Committee shall, by way of an award notice or otherwise, establish the terms, conditions, restrictions and/or limitations that will apply to an Award issued pursuant to this Article 9; provided, however, such terms, conditions, restrictions and limitations are not inconsistent with the terms of the Plan.

9.5 Carryforward Amount

Upon the issuance of any Award under this Article 9, the Carryforward Amount shall be immediately reduced by an amount equal to the value of such Award.

ARTICLE 10 -- CHANGE IN OWNERSHIP

10.1 Background

Notwithstanding any provision contained in the Plan, including, but not limited to, Sections 1.1, 4.4 and 13.10, the provisions of this Article 10 shall control over any contrary provision. Upon a Change in Ownership: (a) the terms of this Article 10 shall immediately become operative, without further action or consent by any person or entity; (b) all terms, conditions, restrictions and limitations in effect on any unpaid and/or deferred Award shall immediately lapse as of the date of such event; (c) no other terms, conditions, restrictions, and/or limitations shall be imposed upon any Awards on or after such date, and in no event shall an Award be forfeited on or after such date; and (d) except where a prorated Award is required to be paid under this Article 10, all unvested and/or unpaid Awards or any other outstanding Awards shall automatically become one hundred percent (100%) vested immediately.

10.2 Payment of Awards

Upon a Change in Ownership, any Key Employee, whether or not he or she is still employed by the Company, shall be paid, as soon as practicable but in no event later than 90 days after the Change in Ownership, the Awards set forth in (a) and (b) below:

(a) All of the Key Employee's unpaid and/or deferred Awards; and

(b) A pro-rata Award for the Performance Period in which the Change in Ownership occurs. The amount of the pro-rata Award shall be determined by multiplying the Target Award for such Performance Period for Participants in the same wage grade as the Key Employee by a fraction, the numerator of which shall be the number of full months in the Performance Period prior to the date of the Change in Ownership and the denominator of which shall be the total number of full months in the Performance Period. For purposes of this calculation, a partial month shall be treated as a full month to the extent of 15 or more days in such month have elapsed. To the extent Target Awards have not yet been established for the Performance Period, the Target Awards for the immediately preceding Performance Period shall be used. The pro-rata Awards shall be paid to the Key Employee in the form of a lump-sum cash payment.

10.3 Miscellaneous

Upon a Change In Ownership, no action, including, but not by way of limitation, the amendment, suspension, or termination of the Plan, shall be taken which would affect the rights of any Key Employee or the operation of the Plan with respect to any Award to which the Key Employee may have become entitled hereunder on or prior to the date of such action or as a result of such Change In Ownership.

ARTICLE 11 -- CHANGE IN CONTROL

11.1 Background

Notwithstanding any provision contained in the Plan, including, but not limited to, Sections 1.1, 4.4 and 13.10, the provisions of this Article 11 shall control over any contrary provision. All Key Employees shall be eligible for the treatment afforded by this Article 11 if their employment with the Company terminates within two years following a Change In Control, unless the termination is due to (a) death; (b) Disability; (c) Cause; (d) resignation other than (1) resignation from a declined reassignment to a job

that is not reasonably equivalent in responsibility or compensation (as defined in Kodak's Termination Allowance Plan), or that is not in the same geographic area (as defined in Kodak's Termination Allowance Plan), or (2) resignation within thirty days of a reduction in base pay; or (e) Retirement.

11.2 Vesting and Lapse of Restrictions

If a Key Employee qualifies for treatment under Section 11.1, his or her Awards shall be treated in the manner described in Subsections 10.1(b) and

(c). Further, except where a prorated Award is required to be paid under this Article 11, all of the Key Employee's unvested and/or unpaid Awards shall automatically become one hundred percent (100%) vested immediately.

11.3 Payment of Awards

If a Key Employee qualifies for treatment under Section 11.1, he or she shall be paid, as soon as practicable but in no event later than 90 days after his or her termination of employment, the Awards set forth in (a) and (b) below:

(a) All of the Key Employee's unpaid and/or deferred Awards; and

(b) A pro-rata Award for the Performance Period in which his or her termination of employment occurs. The amount of the pro-rata Award shall be determined by multiplying the Target Award for such Performance Period for Participants in the same wage grade as the Key Employee by a fraction, the numerator of which shall be the number of full months in the Performance Period prior to the date of the Key Employee's termination of employment and the denominator of which shall be the total number of full months in the Performance Period. For purposes of this calculation, a partial month shall be treated as a full month to the extent 15 or more days in such month have elapsed. To the extent Target Awards have not yet been established for the Performance Period, the Target Awards for the immediately preceding Performance Period shall be used. The pro-rata Awards shall be paid to the Key Employee in the form of a lump-sum cash payment.

11.4 Miscellaneous

Upon a Change In Control, no action, including, but not by way of limitation, the amendment, suspension, or termination of the Plan, shall be taken which would affect the rights of any Key Employee or the operation of the Plan with respect to any Award to which the Key Employee may have become entitled hereunder prior to the date of the Change In Control or to which he or she may become entitled as a result of such Change In Control.

ARTICLE 12 -- SHARES SUBJECT TO THE PLAN

12.1 Available Shares

Subject to adjustment as provided in Subsection 12.2 below, the maximum number of shares of Common Stock, \$2.50 par value per share, of the Company which shall be available for grant of Awards under the Plan during its term shall not exceed 1,000,000. Any shares of Common Stock related to Awards which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of such shares, are settled in cash in lieu of Common Stock, or are exchanged with the Committee's permission for Awards not involving Common Stock, shall not be available again for grant under the Plan. The shares of Common Stock available for issuance under the Plan may be authorized and unissued shares or treasury shares.

12.2 Adjustment of Shares Available

(a) In General. The provisions of this Subsection 12.2(a) are subject to the limitation contained in Subsection 12.2(b). If there is any change in the number of outstanding shares of Common Stock through the declaration of stock dividends, stock splits or the like, the number of shares available for Awards and the shares subject to any Award shall be automatically adjusted. If there is any change in the number of outstanding shares of Common Stock through any change in the capital account of Kodak, or through a merger, consolidation, separation (including a spin off or other distribution of stock or property) reorganization (whether or not such reorganization comes within the definition of such term in Section 368(a) of the Code) or partial or complete liquidation, the Committee shall make appropriate adjustments in the maximum number of shares of Common Stock which may be issued under the Plan and any adjustments and/or modifications to outstanding Awards as it, in its sole discretion, deems appropriate. In the event of any other change in the capital structure or in the Common Stock of the Company, the Committee shall also be authorized to make such appropriate adjustments in the maximum number of shares of Common Stock available for issuance under the Plan and any adjustments and/or modifications to outstanding Awards as it, in its sole discretion, deems appropriate.

(b) Covered Employees. In no event shall the Award of any Participant who is a Covered Employee be adjusted pursuant to Subsection 12.2(a) to the extent it would cause such Award to fail to qualify as "Performance-Based Compensation" under Section 162(m) of the Code.

ARTICLE 13 -- MISCELLANEOUS

13.1 Nonassignability

No Awards under the Plan shall be subject in any manner to alienation, anticipation, sale, transfer (except by will or the laws of descent and distribution), assignment, pledge, or encumbrance, nor shall any Award be payable to anyone other than the Participant to whom it was granted.

13.2 Withholding Taxes

The Company shall be entitled to deduct from any payment under the Plan, regardless of the form of such payment, the amount of all applicable income and employment taxes required by law to be withheld with respect to such payment or may require the Participant to pay to it such tax prior to and as a condition of the making of such payment. In accordance with any applicable administrative guidelines it establishes, the Committee may allow a Participant to pay the amount of taxes required by law to be withheld from an Award by withholding from any payment of Common Stock due as a result of such Award, or by permitting the Participant to deliver to the Company, shares of Common Stock having a fair market value, as determined by the Committee, equal to the amount of such required withholding taxes.

13.3 Amendments to Awards

The Committee may at any time unilaterally amend any unearned, deferred or unpaid Award, including, but not by way of limitation, Awards earned but not yet paid, to the extent it deems appropriate; provided, however, that any such amendment which, in the opinion of the Committee, is adverse to the Participant shall require the Participant's consent.

13.4 Regulatory Approvals and Listings

Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates of Common Stock evidencing Awards or any other Award resulting in the payment of Common Stock prior to (a) the obtaining of any approval from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable, (b) the admission of such shares to listing on the stock exchange on which the Common Stock may be listed, and (c) the completion of any registration or other qualification of said shares under any state or Federal law or ruling of any governmental body which the Company shall, in its sole discretion, determine to be necessary or advisable.

13.5 No Right to Continued Employment or Grants

Participation in the Plan shall not give any Key Employee any right to remain in the employ of the Company. Kodak or, in the case of employment with a Subsidiary, the Subsidiary, reserves the right to terminate any Key Employee at any time. Further, the adoption of this Plan shall not be deemed to give any Key Employee or any other individual any right to be selected as a Participant or to be granted an Award.

13.6 Amendment/Termination

The Committee may suspend or terminate the Plan at any time with or without prior notice. In addition, the Committee may, from time to time and with or without prior notice, amend the Plan in any manner, but may not without shareholder approval adopt any amendment which would require the vote of the shareholders of Kodak pursuant to Section 162(m) of the Code, but only insofar as such amendment affects Covered Employees.

13.7 Governing Law

The Plan shall be governed by and construed in accordance with the laws of the State of New York, except as superseded by applicable Federal Law.

13.8 No Right, Title, or Interest in Company Assets

No Participant shall have any rights as a shareholder as a result of participation in the Plan until the date of issuance of a stock certificate in his or her name, and, in the case of restricted shares of Common Stock, such rights are granted to the Participant under the Plan. To the extent any person acquires a right to receive payments from the Company under this Plan, such rights shall be no greater than the rights of an unsecured creditor of the Company and the Participant shall not have any rights in or against any specific assets of the Company. All of the Awards granted under the Plan shall be unfunded.

13.9 No Guarantee of Tax Consequences

No person connected with the Plan in any capacity, including, but not limited to, Kodak and its Subsidiaries and their directors, officers, agents and employees makes any representation, commitment, or guarantee that any tax treatment, including, but not limited to, Federal, state and local income, estate and gift tax treatment, will be applicable with respect to amounts deferred under the Plan, or paid to or for the benefit of a Participant under the Plan, or that such tax treatment will apply to or be available to a Participant on account of participation in the Plan.

13.10 Compliance with Section 162(m)

If any provision of the Plan would cause the Awards granted to a Covered Person not to constitute qualified Performance-Based Compensation under Section 162(m) of the Code, that provision, insofar as it pertains to the Covered Person, shall be severed from, and shall be deemed not to be a part of, this Plan, but the other provisions hereof shall remain in full force and effect.

Exhibit (10) I.

EASTMAN KODAK COMPANY

1995 OMNIBUS LONG-TERM COMPENSATION PLAN

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1996, Eastman Kodak Company

ARTICLE 1 -- PURPOSE AND TERM OF PLAN

1.1 Purpose

The purpose of the Plan is to provide motivation to selected Employees of the Company to put forth maximum efforts toward the continued growth, profitability, and success of the Company by providing incentives to such Employees through the ownership and performance of the Common Stock of Kodak. Toward this objective, the Committee may grant stock options, stock appreciation rights, Stock Awards, performance units, performance shares, Performance Awards, Common Stock and/or other incentive awards to Employees of the Company on the terms and subject to the conditions set forth in the Plan.

1.2 Term

The Plan shall become effective as of February 1, 1995, subject to its approval by Kodak's shareholders at the 1995 Annual Meeting of the Shareholders. No Awards shall be exercisable or payable before approval of the Plan has been obtained from Kodak's shareholders. Awards shall not be granted pursuant to the Plan after December 31, 1999; except that the Committee may grant Awards after such date in recognition of performance for Performance Cycles commencing prior to such date.

ARTICLE 2 -- DEFINITIONS

2.1 Approved Reason

"Approved Reason" means a reason for terminating employment with the Company which, in the opinion of the Committee, is in the best interests of the Company.

2.2 Award

"Award" means any form of stock option, stock appreciation right, Stock Award, performance unit, performance share, Performance Award, shares of Common Stock under the Performance Stock Program, or other incentive award granted under the Plan, whether singly, in combination, or in tandem, to a Participant by the Committee pursuant to such terms, conditions, restrictions and/or limitations, if any, as the Committee may establish by the Award Notice or otherwise.

2.3 Award Notice

"Award Notice" means a written notice from the Company to a Participant that establishes the terms, conditions, restrictions, and/or limitations applicable to an Award in addition to those established by this Plan and by the Committee's exercise of its administrative powers.

2.4 Award Payment Date

"Award Payment Date" means, for a Performance Cycle, the date the Awards for such Performance Cycle shall be paid to Participants. The Award Payment Date for a Performance Cycle shall occur as soon as administratively possible following the completion of the certifications required pursuant to Subsection 13.5(c).

2.5 Board

"Board" means the Board of Directors of Kodak.

2.6 Cause

"Cause" means (a) the willful and continued failure by an Employee to substantially perform his or her duties with his or her employer after written warnings identifying the lack of substantial performance are delivered to the Employee by his or her employer to specifically identify the manner in which the employer believes that the Employee has not substantially performed his or her duties, or (b) the willful engaging by an Employee in illegal conduct which is materially and demonstrably injurious to Kodak or a Subsidiary.

2.7 CEO

"CEO" means the Chief Executive Officer of Kodak.

2.8 Change In Control

"Change In Control" means a change in control of Kodak of a nature that would be required to be reported (assuming such event has not been "previously reported") in response to Item 1(a) of the Current Report on Form 8-K, as in effect on August 1, 1989, pursuant to Section 13 or 15 (d) of the Exchange Act; provided that, without limitation, a Change In Control shall be deemed to have occurred at such time as (i) any "person" within the meaning of Section 14(d) of the Exchange Act, other than Kodak, a Subsidiary, or any employee benefit plan(s) sponsored by Kodak or any Subsidiary, is or has become the "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of 25% or more of the combined voting power of the outstanding securities of Kodak ordinarily having the right to vote at the election of directors, or (ii) individuals who constitute the Board on January 1, 1995 (the "Incumbent Board") have ceased for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to January 1, 1995 whose election, or nomination for election by Kodak's shareholders, was approved by a vote of at least three-quarters (3/4) of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of Kodak in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board.

2.9 Change In Control Price

"Change In Control Price" means the highest closing price per share paid for the purchase of Common Stock on the New York Stock Exchange during the ninety (90) day period ending on the date the Change In Control occurs.

2.10 Change In Ownership

"Change In Ownership" means a Change In Control which results directly or indirectly in Kodak's Common Stock ceasing to be actively traded on the New York Stock Exchange.

2.11 Code

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations thereto.

2.12 Committee

"Committee" means the Executive Compensation and Development Committee of the Board, or such other Board committee as may be designated by the Board to administer the Plan; provided that the Committee shall consist of three or more directors, all of whom are both a "Non-Employee Director" within the meaning of Rule 16b-3 under the Exchange Act and an "outside director" within the meaning of the definition of such term as contained in Proposed Treasury Regulation Section 1.162- 27(e)(3), or any successor definition adopted.

2.13 Common Stock

"Common Stock" means common stock, \$2.50 par value per share, of Kodak which may be newly issued or treasury stock.

2.14 Company

"Company" means Kodak and its Subsidiaries.

2.15 Covered Employee

"Covered Employee" means an Employee who is a "Covered Employee" within the meaning of Section 162(m) of the Code.

2.16 Disability

"Disability" means a disability under the terms of any long-term disability plan maintained by the Company.

2.17 Effective Date

"Effective Date" means the date an Award is determined to be effective by the Committee upon its grant of such Award.

2.18 Employee

"Employee" means either: (a) an employee of Kodak; or (b) an employee of a Subsidiary.

2.19 Exchange Act

"Exchange Act" means the Securities and Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provision and rules thereto.

2.20 Key Employee

"Key Employee" means a senior level Employee who holds a position of responsibility in a managerial, administrative, or professional capacity.

2.21 Kodak

"Kodak" means Eastman Kodak Company.

2.22 Negative Discretion

"Negative Discretion" means the discretion authorized by the Plan to be applied by the Committee in determining the size of an Award for a Performance Period or Performance Cycle if, in the Committee's sole judgment, such application is appropriate. Negative Discretion may only be used by the Committee to eliminate or reduce the size of an Award. By way of example and not by way of limitation, in no event shall any discretionary authority granted to the Committee by the Plan, including, but not limited to Negative Discretion, be used to: (a) grant Awards for a Performance Period or Performance Cycle if the Performance Goals for such Performance Period or Performance Cycle have not been attained; or (b) increase an Award above the maximum amount payable under Sections 7.5, 8.6, 9.6 or 13.6 of the Plan.

2.23 Participant

"Participant" means either any Employee to whom an Award has been granted by the Committee under the Plan or a Key Employee who, for a Performance Cycle, has been selected to participate in the Performance Stock Program.

2.24 Performance Awards

"Performance Awards" means the Stock Awards, Performance units and Performance Shares granted to Covered Employees pursuant to Article 7. All Performance Awards are intended to qualify as "Performance-Based Compensation" under Section 162(m) of the Code.

2.25 Performance Criteria

"Performance Criteria" means the one or more criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period or Performance Cycle. The Performance Criteria that will be used to establish such Performance Goal(s) shall be limited to the following: return on net assets ("RONA"), return on shareholders' equity, return on assets, return on capital, shareholder returns, profit margin, earnings per share, net earnings, operating earnings, Common Stock price per share, and sales or market share. To the extent required by Section 162(m) of the Code, the Committee shall, within the first 90 days of a Performance Period or Performance Cycle (or, if longer, within the maximum period allowed under Section 162(m) of the Code), define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period or Performance Cycle.

2.26 Performance Cycle

"Performance Cycle" means the one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of an Award under the Performance Stock Program.

2.27 Performance Formula

"Performance Formula" means, for a Performance Period or Performance Cycle, the one or more objective formulas applied against the relevant Performance Goals to determine, with regards to the Award of a particular Participant, whether all, some portion but less than all, or none of the Award has been earned for the Performance Period or Performance Cycle. In the case of an Award under the Performance Stock Program, in the event the Performance Goals for a Performance Cycle are achieved, the Performance Formula shall determine what percentage of the Participant's Target Award for the Performance Cycle will be earned.

2.28 Performance Goals

"Performance Goals" means, for a Performance Period or Performance Cycle, the one or more goals established by the Committee for the Performance Period or Performance Cycle based upon the Performance Criteria. The Committee is authorized at any time during the first 90 days of a Performance Period or Performance Cycle, or at any time thereafter (but only to the extent the exercise of such authority after the first 90 days of a Performance Period or Performance Cycle would not cause the Awards granted to the Covered Employees for the Performance Period or Performance Cycle to fail to qualify as "Performance-Based Compensation" under Section 162(m) of the Code), in its sole and absolute discretion, to adjust or modify the calculation of a Performance Goal for such Performance Period or Performance Cycle in order to prevent the dilution or enlargement of the rights of Participants, (a) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development; (b) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions; and (c) in view of the Committee's assessment of the business strategy of the Company, performance of comparable organizations, economic and business conditions, and any other circumstances deemed relevant.

2.29 Performance Period

"Performance Period" means the one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of a Performance Award. In the case of Awards issued under Article 8 or Article 9 hereof, the Performance Period shall be Kodak's fiscal year.

2.30 Performance Stock Program

"Performance Stock Program" means the program established under Article 13 of the Plan pursuant to which selected Key Employee receive Awards for a Performance Cycle in the form of shares of Common Stock based upon attainment of Performance Goals for such Performance Cycle. All Awards granted to Covered Employees under the Performance Stock Program are intended to qualify as "Performance-based Compensation" under Section 162(m) of the Code.

2.31 Plan

"Plan" means the Eastman Kodak Company 1995 Omnibus Long-Term Compensation Plan.

2.32 Retirement

"Retirement" means, for all Plan purposes other than Article 18, a termination of employment from the Company on or after attainment of age 60 which constitutes a retirement under any defined benefit pension plan maintained by the Company which is either a tax-qualified plan under Section 401(a) of the Code or is identified in writing by the Committee as a defined benefit pension plan. For purposes of Article 18, "Retirement" means retirement under any defined benefit pension plan maintained by the Company which is either a tax-qualified plan under Section 401(a) of the Code or is identified in writing by the Committee as a defined benefit pension plan.

2.33 Stock Award

"Stock Award" means an award granted pursuant to Article 10 in the form of shares of Common Stock, restricted shares of Common Stock, and/or Units of Common Stock.

2.34 Subsidiary

"Subsidiary" means a corporation or other business entity in which Kodak directly or indirectly has an ownership interest of 80 percent or more.

2.35 Target Award

"Target Award" means, for a Performance Cycle, the target award amount, expressed as a number of shares of Common Stock, established for each wage grade by the Committee for the Performance Cycle. The fact, however, that a Target Award is established for a Participant's wage grade shall not in any manner entitle the Participant to receive an Award for such Performance Cycle.

2.36 Unit

"Unit" means a bookkeeping entry used by the Company to record and account for the grant of the following Awards until such time as the Award is paid, canceled, forfeited or terminated, as the case may be: Units of Common Stock, performance units, and performance shares which are expressed in terms of Units of Common Stock.

ARTICLE 3 -- ELIGIBILITY

3.1 In General

Subject to Section 3.2, all Employees are eligible to participate in the Plan. The Committee shall select, from time to time, Participants from those Employees who, in the opinion of the Committee, can further the Plan's purposes. Once a Participant is so selected, the Committee shall determine the type or types of Awards to be made to the Participant and shall establish in the related Award Notices the terms, conditions, restrictions and/or limitations, if any, applicable to the Awards in addition to those set forth in this Plan and the administrative rules and regulations issued by the Committee.

3.2 Performance Stock Program

Only Key Employees shall be eligible to participate in the Performance Stock Program.

ARTICLE 4 -- PLAN ADMINISTRATION

4.1 Responsibility

The Committee shall have total and exclusive responsibility to control, operate, manage and administer the Plan in accordance with its terms.

4.2 Authority of the Committee

The Committee shall have all the authority that may be necessary or helpful to enable it to discharge its responsibilities with respect to the Plan. Without limiting the generality of the preceding sentence, the Committee shall have the exclusive right to: (a) interpret the Plan; (b) determine eligibility for participation in the Plan; (c) decide all questions concerning eligibility for and the amount of Awards payable under the Plan; (d) construe any ambiguous provision of the Plan; (e) correct any default; (f) supply any omission; (g) reconcile any inconsistency; (h) issue administrative guidelines as an aid to administer the Plan and make changes in such guidelines as it from time to time deems proper; (i) make regulations for carrying out the Plan and make changes in such regulations as it from time to time deems proper; (j) determine whether Awards should be granted singly, in combination or in tandem; (k), to the extent permitted under the Plan, grant waivers of Plan terms, conditions, restrictions, and limitations; (l) accelerate the vesting, exercise, or payment of an Award or the performance period of an Award when such action or actions would be in the best interest of the Company; (m) establish such other types of Awards, besides those specifically enumerated in Article 5 hereof, which the Committee determines are consistent with the Plan's purpose; (n) subject to Section 8.2, grant Awards in replacement of Awards previously granted under this Plan or any other executive compensation plan of the Company; and (o) establish and administer the Performance Goals and certify whether, and to what extent, they have been attained; and (p) take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

4.3 Discretionary Authority

The Committee shall have full discretionary authority in all matters related to the discharge of its responsibilities and the exercise of its authority under the Plan including, without limitation, its construction of the terms of the Plan and its determination of eligibility for participation and Awards under the Plan. It is the intent of Plan that the decisions of the Committee and its action with respect to the Plan shall be final, binding and conclusive upon all persons having or claiming to have any right or interest in or under the Plan.

4.4 Section 162(m) of the Code

With regards to all Covered Employees, the Plan shall, for all purposes, be interpreted and construed in accordance with Section 162(m) of the Code.

4.5 Action by the Committee

The Committee may act only by a majority of its members. Any determination of the Committee may be made, without a meeting, by a writing or writings signed by all of the members of the Committee. In addition, the Committee may authorize any one or more of its number to execute and deliver documents on behalf of the Committee.

4.6 Delegation of Authority

The Committee may delegate some or all of its authority under the Plan to any person or persons provided that any such delegation be in writing; provided, however, that only the Committee may select and grant Awards to Participants who are subject to Section 16 of the Exchange Act or are Covered Employees.

ARTICLE 5 -- FORM OF AWARDS

5.1 In General

Awards may, at the Committee's sole discretion, be paid in the form of Performance Awards pursuant to Article 7, stock options pursuant to Article 8, stock appreciation rights pursuant to Article 9, Stock Awards pursuant to Article 10, performance units pursuant to Article 11, performance shares pursuant to Article 12, shares of Common Stock pursuant to Article 13, any form established by the Committee pursuant to Subsection 4.2(m), or a combination thereof. All Awards shall be subject to the terms, conditions, restrictions and limitations of the Plan. The Committee may, in its sole judgment, subject an Award to such other terms, conditions, restrictions and/or limitations (including, but not limited to, the time and conditions of exercise and restrictions on transferability and vesting), provided they are not inconsistent with the terms of the Plan. Awards under a particular Article of the Plan need not be uniform and Awards under two or more Articles may be combined into a single Award Notice. Any combination of Awards may be granted at one time and on more than one occasion to the same Employee. For purposes of the Plan, the value of any Award granted in the form of Common Stock shall be the mean between the high and low at which the Common Stock trades on the New York Stock Exchange as of the date of the grant's Effective Date.

5.2 Foreign Jurisdictions

Awards may be granted, without amending the Plan, to Participants who are foreign nationals or employed outside the United States or both, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to further the purposes of the Plan or to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to or alternative versions of the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; provided, however, no such supplement or alternative version shall: (a) increase the limitations contained in Sections 7.5, 8.6, 9.6 and 13.6; (b) increase the number of available shares under Section 6.1; or (c) cause the Plan to cease to satisfy any conditions of Rule 16b-3 under the Exchange Act or, with respect to Covered Employees, Section 162(m) of the Code.

ARTICLE 6 -- SHARES SUBJECT TO PLAN

6.1 Available Shares

The maximum number of shares of Common Stock, \$2.50 par value per share, of Kodak which shall be available for grant of Awards under the Plan (including incentive stock options) during its term shall not exceed 16,000,000. (Such amount shall be subject to adjustment as provided in Section 6.2.) Any shares of Common Stock related to Awards which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of such shares, are settled in cash in lieu of Common Stock, or are exchanged with the Committee's permission for Awards not involving Common Stock, shall not be available again for grant under the Plan. Moreover, shares of Common Stock with respect to which an SAR has been exercised and paid in cash shall not again be eligible for grant under the Plan. The maximum number of shares available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional shares of Common Stock or credited as additional performance shares. The shares of Common Stock available for issuance under the Plan may be authorized and unissued shares or treasury shares.

6.2 Adjustment to Shares

(a) In General. The provisions of this Subsection 6.2(a) are subject to the limitation contained in Subsection 6.2(b). If there is any change in the number of outstanding shares of Common Stock through the declaration of stock dividends, stock splits or the like, the number of shares available for Awards, the shares subject to any Award and the option prices or exercise prices of Awards shall be automatically adjusted. If there is any change in the number of outstanding shares of Common Stock through any change in the capital account of Kodak, or through a merger, consolidation, separation (including a spin off or other distribution of stock or property), reorganization (whether or not such reorganization comes within the meaning of such term in Section 368(a) of the Code) or partial or complete liquidation, the Committee shall make appropriate adjustments in the maximum number of shares of Common Stock which may be issued under the Plan and any adjustments and/or modifications to outstanding Awards as it, in its sole discretion, deems appropriate. In the event of any other change in the capital structure or in the Common Stock of Kodak, the Committee shall also be authorized to make such appropriate adjustments in the maximum number of shares of Common Stock available for issuance under the Plan and any adjustments and/or modifications to outstanding Awards as it, in its sole discretion, deems appropriate. The maximum number of shares available for issuance under the Plan shall be automatically adjusted to the extent necessary to reflect any dividend equivalents paid in the form of Common Stock.

b) Covered Employees. In no event shall the Award of any Participant who is a Covered Employee be adjusted pursuant to Subsection 6.2(a) to the extent it would cause such Award to fail to qualify as "Performance-Based Compensation" under Section 162(m) of the Code.

6.3 Maximum Number of Shares for Stock Awards, Performance Units and Performance Shares

From the maximum number of shares available for issuance under the Plan under Section 6.1, the maximum number of shares of Common Stock, \$2.50 par value per share, which shall be available for Awards granted in the form of Stock Awards, performance units or performance shares (including those issued in the form of Performance Awards) under the Plan during its term shall be 5,000,000.

ARTICLE 7 -- PERFORMANCE AWARDS

7.1 Purpose

For purposes of grants issued to Covered Employees, the provisions of this Article 7 shall apply in addition to and, where necessary, in lieu of the provisions of Articles 10, 11 and 12. The purpose of this Article is to provide the Committee the ability to qualify the Stock Awards authorized under Article 10, the performance units under Article 11, and the performance shares under Article 12 as "Performance-Based Compensation" under Section 162(m) of the Code. The provisions of this Article 7 shall control over any contrary provision contained in Articles 10, 11 or 12.

7.2 Eligibility

Only Covered Employees shall be eligible to receive Performance Awards. The Committee will, in its sole discretion, designate within the first 90 days of a Performance Period (or, if longer, within the maximum period allowed under Section 162(m) of the Code) which Covered Employees will be Participants for such period. However, designation of a Covered Employee as a Participant for a Performance Period shall not in any manner entitle the Participant to receive an Award for the period. The determination as to whether or not such Participant becomes entitled to an Award for such Performance Period shall be decided solely in accordance with the provisions of this Article 7. Moreover, designation of a Covered Employee as a Participant for a particular Performance Period shall not require designation of such Covered Employee as a Participant in any subsequent Performance Period and designation of one Covered Employee as a Participant shall not require designation of any other Covered Employee as a Participant in such period or in any other period.

7.3 Discretion of Committee with Respect to Performance Awards

With regards to a particular Performance Period, the Committee shall have full discretion to select the length of such Performance Period, the type(s) of Performance Awards to be issued, the Performance Criteria that will be used to establish the Performance Goal(s), the kind(s) and/or level(s) of the Performance Goal(s), whether the Performance Goal(s) is(are) to apply to the Company, Kodak, a Subsidiary, or any one or more subunits of the foregoing, and the Performance Formula. Within the first 90 days of a Performance Period (or, if longer, within the maximum period allowed under Section 162(m) of the Code), the Committee shall, with regards to the Performance Awards to be issued for such Performance Period, exercise its discretion with respect to each of the matters enumerated in the immediately preceding sentence of this Section 7.3 and record the same in writing.

7.4 Payment of Performance Awards

(a) Condition to Receipt of Performance Award. Unless otherwise provided in the relevant Award Notice, a Participant must be employed by the Company on the last day of a Performance Period to be eligible for a Performance Award for such Performance Period.

(b) Limitation. A Participant shall be eligible to receive a Performance Award for a Performance Period only to the extent that: (1) the Performance Goals for such period are achieved; and (2) and the Performance Formula as applied against such Performance Goals determines that all or some portion of such Participant's Performance Award has been earned for the Performance Period.

(c) Certification. Following the completion of a Performance Period, the Committee shall meet to review and certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, to also calculate and certify in writing the amount of the Performance Awards earned for the period based upon the Performance Formula. The Committee shall then determine the actual size of each Participant's Performance Award for the Performance Period and, in so doing, shall apply Negative Discretion, if and when it deems appropriate.

(d) Negative Discretion. In determining the actual size of an individual Performance Award for a Performance Period, the Committee may reduce or eliminate the amount of the Performance Award earned under the Performance Formula for the Performance Period through the use of Negative Discretion, if in its sole judgment, such reduction or elimination is appropriate.

(e) Timing of Award Payments. The Awards granted for a Performance Period shall be paid to Participants as soon as administratively possible following completion of the certifications required by Subsection 7.4(c).

(f) Noncompetition. No Participant shall receive payment for an Award if, subsequent to the commencement of a Performance Period and prior to the date the Awards for such period are paid, the Participant engages in any of the conduct prohibited under Section 14.3.

7.5 Maximum Award Payable

Notwithstanding any provision contained in the Plan to the contrary, the maximum Performance Award payable to any one Participant under the Plan for a Performance Period is 50,000 shares of Common Stock or, in the event the Performance Award is paid in cash, the equivalent cash value thereof on the Performance Award's Effective Date.

ARTICLE 8 -- STOCK OPTIONS

8.1 In General

Awards may be granted to Employees in the form of stock options. These stock options may be incentive stock options within the meaning of Section 422 of the Code or non-qualified stock options (i.e., stock options which are not incentive stock options), or a combination of both. All Awards under the Plan issued to Covered Employees in the form of stock options shall qualify as "Performance-Based Compensation" under Section 162(m) of the Code.

8.2 Terms and Conditions of Stock Options

An option shall be exercisable in whole or in such installments and at such times as may be determined by the Committee. The price at which Common Stock may be purchased upon exercise of a stock option shall be not less than 100% of the fair market value of the Common Stock, as determined by the Committee, on the Effective Date of the option's grant. Moreover, all options shall not expire later than 10 years from the Effective Date of the option's grant. Stock options shall not be repriced, i.e., there shall be no grant of a stock option(s) to a Participant in exchange for a Participant's agreement to cancellation of a higher-priced stock option(s) that was previously granted to such Participant.

8.3 Restrictions Relating to Incentive Stock Options

Stock options issued in the form of incentive stock options shall, in addition to being subject to the terms and conditions of Section 8.2, comply with Section 422 of the Code. Accordingly, the aggregate fair market value (determined at the time the option was granted) of the Common Stock with respect to which incentive stock options are exercisable for the first time by a Participant during any calendar year (under this Plan or any other plan of the Company) shall not exceed \$100,000 (or such other limit as may be required by the Code). From the maximum number of shares available for issuance under the Plan under Section 6.1, the number of shares of Common Stock that shall be available for incentive stock options granted under the Plan is 16,000,000.

8.4 Additional Terms and Conditions

The Committee may, by way of the Award Notice or otherwise, establish such other terms, conditions, restrictions and/or limitations, if any, of any stock option Award, provided they are not inconsistent with the Plan.

8.5 Exercise

Upon exercise, the option price of a stock option may be paid in cash, shares of Common Stock, a combination of the foregoing, or such other consideration as the Committee may deem appropriate. The Committee shall establish appropriate methods for accepting Common Stock, whether restricted or unrestricted, and may impose such conditions as it deems appropriate on the use of such Common Stock to exercise a stock option. Subject to Section 19.9, stock options awarded under the Plan may be exercised by way of the Company's broker-assisted stock option exercise program, provided such program is available at the time of the option's exercise. The Committee may permit a Participant to satisfy any amounts required to be withheld under applicable Federal, state and local tax laws, in effect from time to time, by electing to have the Company withhold a portion of the shares of Common Stock to be delivered for the payment of such taxes.

8.6 Maximum Award Payable

Notwithstanding any provision contained in the Plan to the contrary, the maximum number of shares for which stock options may be granted under the Plan to any one Participant for a Performance Period is 200,000 shares of Common Stock.

ARTICLE 9 -- STOCK APPRECIATION RIGHTS

9.1 In General

Awards may be granted to Employees in the form of stock appreciation rights ("SARs"). An SAR may be granted in tandem with all or a portion of a related stock option under the Plan ("Tandem SARs"), or may be granted separately ("Freestanding SARs"). A Tandem SAR may be granted either at the time of the grant of the related stock option or at any time thereafter during the term of the stock option. SARs shall entitle the recipient to receive a payment equal to the appreciation in market value of a stated number of shares of Common Stock from the exercise price to the market value on the date of exercise. All Awards under the Plan issued to Covered Employees in the form of an SAR shall qualify as "Performance-Based Compensation" under Section 162(m) of the Code.

9.2 Terms and Conditions of Tandem SARs

A Tandem SAR shall be exercisable to the extent, and only to the extent, that the related stock option is exercisable, and the "exercise price" of such an SAR (the base from which the value of the SAR is measured at its exercise) shall be the option price under the related stock option. However, at no time shall a Tandem SAR be issued if the option price of its related stock option is less than the fair market value of the Common Stock, as determined by the Committee, on the Effective Date of the Tandem SAR's grant. If a related stock option is exercised as to some or all of the shares covered by the Award, the related Tandem SAR, if any, shall be canceled automatically to the extent of the number of shares covered by the stock option exercise. Upon exercise of a Tandem SAR as to some or all of the shares covered by the Award, the related stock option shall be canceled automatically to the extent of the number of shares covered by such exercise, and such shares shall not again be eligible for grant in accordance with Section 6.1. Moreover, all Tandem SARs shall not expire later than 10 years from the Effective Date of the SAR's grant.

9.3 Terms and Conditions of Freestanding SARs

Freestanding SARs shall be exercisable in whole or in such installments and at such times as may be determined by the Committee. The exercise price of a Freestanding SAR shall be not less than 100% of the fair market value of the Common Stock, as determined by the Committee, on the Effective Date of the Freestanding SAR's grant. Moreover, all Freestanding SARs shall not expire later than 10 years from the Effective Date of the Freestanding SAR's grant.

9.4 Deemed Exercise

The Committee may provide that an SAR shall be deemed to be exercised at the close of business on the scheduled expiration date of such SAR if at such time the SAR by its terms remains exercisable and, if so exercised, would result in a payment to the holder of such SAR.

9.5 Additional Terms and Conditions

The Committee may, by way of the Award Notice or otherwise, determine such other terms, conditions, restrictions and/or limitations, if any, of any SAR Award, provided they are not inconsistent with the Plan.

9.6 Maximum Award Payable

Notwithstanding any provision contained in the Plan to the contrary, the maximum number of shares for which SARs may be granted under the Plan to any one Participant for a Performance Period is 200,000 shares of Common Stock.

ARTICLE 10 -- STOCK AWARDS

10.1 Grants

Awards may be granted in the form of Stock Awards. Stock Awards shall be awarded in such numbers and at such times during the term of the Plan as the Committee shall determine.

10.2 Award Restrictions

Stock Awards shall be subject to such terms, conditions, restrictions, and/or limitations, if any, as the Committee deems appropriate including, but not by way of limitation, restrictions on transferability and continued employment; provided, however, they are not inconsistent with the Plan. The Committee may modify or accelerate the delivery of a Stock Award under such circumstances as it deems appropriate.

10.3 Rights as Shareholders

During the period in which any restricted shares of Common Stock are subject to the restrictions imposed under Section 10.2, the Committee may, in its sole discretion, grant to the Participant to whom such restricted shares have been awarded all or any of the rights of a shareholder with respect to such shares, including, but not by way of limitation, the right to vote such shares and, pursuant to Article 15, the right to receive dividends.

10.4 Evidence of Award

Any Stock Award granted under the Plan may be evidenced in such manner as the Committee deems appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates.

ARTICLE 11 -- PERFORMANCE UNITS

11.1 Grants

Awards may be granted in the form of performance units. Performance units, as that term is used in this Plan, shall refer to Units valued by reference to designated criteria established by the Committee, other than Common Stock.

11.2 Performance Criteria

Performance units shall be contingent on the attainment during a performance period of certain performance objectives. The length of the performance period, the performance objectives to be achieved during the performance period, and the measure of whether and to what degree such objectives have been attained shall be conclusively determined by the Committee in the exercise of its absolute discretion. Performance objectives may be revised by the Committee, at such times as it deems appropriate during the performance period, in order to take into consideration any unforeseen events or changes in circumstances.

11.3 Additional Terms and Conditions

The Committee may, by way of the Award Notice or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of performance units, provided they are not inconsistent with the Plan.

ARTICLE 12 -- PERFORMANCE SHARES

12.1 Grants

Awards may be granted in the form of performance shares. Performance shares, as that term is used in this Plan, shall refer to shares of Common Stock or Units which are expressed in terms of Common Stock.

12.2 Performance Criteria

Performance shares shall be contingent upon the attainment during a performance period of certain performance objectives. The length of the performance period, the performance objectives to be achieved during the performance period, and the measure of whether and to what degree such objectives have been attained shall be conclusively determined by the Committee in the exercise of its absolute discretion. Performance objectives may be revised by the Committee, at such times as it deems appropriate during the performance period, in order to take into consideration any unforeseen events or changes in circumstances.

12.3 Additional Terms and Conditions

The Committee may, by way of the Award Notice or otherwise, determine such other terms, conditions, restrictions and/or limitations, if any, of any Award of performance shares, provided they are not inconsistent with the Plan.

ARTICLE 13 -- PERFORMANCE STOCK PROGRAM

13.1 Purpose

The purposes of the Performance Stock Program are: (a) to promote the interests of the Company and its shareholders by providing a means to acquire a proprietary interest in the Company to selected Key Employees who are in a position to make a substantial contribution to the continued progress and success of the Company; (b) to attract and retain qualified individuals to serve as Employees in those positions; (c) to enhance long-term performance of the Company by linking a meaningful portion of the compensation of selected Key Employees to the achievement of specific long-term financial objectives of the Company; and (d) to motivate and reward selected Key Employees to undertake actions to increase the price of the Common Stock.

13.2 Eligibility

Any Key Employee is eligible to participate in the Performance Stock Program. Within the first 90 days of a Performance Cycle (or, if longer, within the maximum period allowed under Section 162(m) of the Code), the CEO will recommend to the Committee, and from such recommendations the Committee will select, those Key Employees who will be Participants for such Performance Cycle. However, designation of a Key Employee as a Participant for a Performance Cycle shall not in any manner entitle the Participant to receive payment of an Award for the cycle. The determination as to whether or not such Participant becomes entitled to payment of an Award for such Performance Cycle shall be decided solely in accordance with the provisions of this Article 13. Moreover, designation of a Key Employee as a Participant for a particular Performance Cycle shall not require designation of such Key Employee as a Participant in any subsequent Performance Cycle and designation of one Key Employee as a Participant shall not require designation of any other Key Employee as a Participant in such Performance Cycle or in any other Performance Cycle.

13.3 Description of Awards

Awards granted under the Performance Stock Program provide Participants with the opportunity to earn shares of Common Stock, subject to the terms and conditions of Section 13.8 below. Each Award granted under the Plan for a Performance Cycle shall consist of a Target Award expressed as fixed number of shares of Common Stock. In the event the Performance Goals for the Performance Cycle are achieved, the Performance Formula shall determine, with regards to a particular Participant, what percentage of the Participant's Target Award for the Performance Cycle will be earned. All of the Awards issued under the Performance Stock Program to Covered Employees are intended to qualify as "Performance-Based Compensation" under Section 162(m) of the Code.

13.4 Procedure for Determining Awards

Within the first 90 days of a Performance Cycle (or, if longer, within the maximum period allowed under Section 162(m) of the Code), the Committee shall establish in writing for such Performance Cycle the following: the specific Performance Criteria that will be used to establish the Performance Goal(s), the kind(s) and/or level(s) of the Performance Goal(s), whether the Performance Goal(s) is(are) to apply to the Company, Kodak, a Subsidiary, or any one or more subunits of the foregoing, the amount of the Target Awards, and the Performance Formula.

13.5 Payment of Awards

(a) Condition to Receipt of Awards. Except as provided in Section 13.7, a Participant must be employed by the Company on the Performance Cycle's Award Payment Date to be eligible for an Award for such Performance Cycle.

(b) Limitation. A Participant shall be eligible to receive an Award for a Performance Cycle only if: (1) the Performance Goals for such cycle are achieved; and (2) the Performance Formula as applied against such Performance Goals determines that all or some portion of the Participant's Target Award has been earned for the Performance Period.

(c) Certification. Following the completion of a Performance Cycle, the Committee shall meet to review and certify in writing whether, and to what extent, the Performance Goals for the Performance Cycle have been achieved. If the Committee certifies that the Performance Goals have been achieved, it shall, based upon application of the Performance Formula to the Performance Goals for such cycle, also calculate and certify in writing for each Participant what percentage of the Participant's Target Award has been earned for the cycle. The Committee shall then determine the actual size of each Participant's Award for the Performance Cycle and, in so doing, shall apply Negative Discretion, if and when it deems appropriate.

(d) Negative Discretion. In determining the actual size of an individual Award to be paid for a Performance Cycle, the Committee may, through the use of Negative Discretion, reduce or eliminate the amount of the Award earned under the Performance Formula for the Performance Cycle, if in its sole judgment, such reduction or elimination is appropriate.

(e) Timing of Award Payments. The Awards granted by the Committee for a Performance Cycle shall be paid to Participants on the Award Payment Date for such Performance Cycle.

(f) New Participants. Participants who are employed by the Company after the Committee's selection of Participants for the Performance Cycle, as well as Key Employees who are selected by the Committee to be Participants after such date, shall, in the event Awards are paid for the Performance Cycle, only be entitled to a pro-rata Award. The amount of the pro-rata Award shall be determined by multiplying the Award the Participant would have otherwise been paid if he or she had been a Participant for the entire Performance Cycle by a fraction the numerator of which is the number of full months he or she was eligible to participate in the Performance Stock Program during the Performance Cycle over the total number of full months in the Performance Cycle. For purposes of this calculation, a partial month of participation shall: (1) be treated as a full month of participation to the extent a Participant participates in the Performance Stock Program on 15 or more days of such month; and (2) not be taken into consideration to the extent the Participant participates in the Performance Stock Program for less than 15 days of such month.

(g) Noncompetition. No Participant shall receive payment for an Award if, subsequent to the commencement of the Performance Cycle and prior to the Award Payment Date for such cycle, the Participant engages in the conduct prohibited under Section 14.3.

13.6 Maximum Award Payable

Notwithstanding any provision contained in the Plan to the contrary, the maximum Award payable to any one Participant under the Plan for a Performance Cycle is 50,000 shares of Common Stock.

13.7 Termination of Employment During Performance Cycle

In the event a Participant terminates employment due to death, Disability, Retirement or termination of employment for an Approved Reason prior to the Award Payment Date for a Performance Cycle, the Participant shall receive, if Awards are paid for such Performance Cycle and if he or she complies with the requirements of Subsection 13.5(g) through the Award Payment Date, a pro-rata Award. The amount of the pro-rata Award shall be determined by multiplying the Award the Participant would have otherwise been paid if he or she had been a Participant through the Award Payment Date for the Performance Cycle by a fraction, the numerator of which is the number of full months he or she was a Participant during such Performance Cycle over the total number of full months in the Performance Cycle. For purposes of this calculation, a partial month of participation shall: (1) be treated as a full month of participation to the extent a Participant participates in the Performance Stock Program on 15 or more days of such month; and (2) not be taken into consideration to the extent the Participant participates in the Performance Stock Program for less than 15 days of such month. Such pro-rata Award shall be paid in the form of shares of Common Stock, not subject to any restrictions, limitations or escrow requirements. In the event of Disability, Retirement or termination for an Approved Reason, the pro-rata Award shall be paid directly to the Participant and, in the event of death, to the Participant's estate.

13.8 Awards

On the Award Payment Date for a Performance Cycle, the Committee shall issue to each Participant the Award, in the form of shares of Common Stock, he or she has earned for such Performance Cycle. Such shares of Common Stock shall be subject to such terms, conditions, limitations and restrictions as the Committee, in its sole judgment, determines.

ARTICLE 14 -- PAYMENT OF AWARDS

14.1 In General

Absent a Plan provision to the contrary, payment of Awards may, at the discretion of the Committee, be made in cash, Common Stock, a combination of cash and Common Stock, or any other form of property as the Committee shall determine. In addition, payment of Awards may include such terms, conditions, restrictions and/or limitations, if any, as the Committee deems appropriate, including, in the case of Awards paid in the form of Common Stock, restrictions on transfer and forfeiture provisions; provided, however, such terms, conditions, restrictions and/or limitations are not inconsistent with the Plan. Further, payment of Awards may be made in the form of a lump sum or installments, as determined by the Committee.

14.2 Termination of Employment

If a Participant's employment with the Company terminates for a reason other than death, Disability, Retirement, or any Approved Reason, all unexercised, unearned, and/or unpaid Awards, including, but not by way of limitation, Awards earned but not yet paid, all unpaid dividends and dividend equivalents, and all interest accrued on the foregoing shall be canceled or forfeited, as the case may be, unless the Participant's Award Notice provides otherwise. The Committee shall, notwithstanding Sections 4.4 and 19.11 to the contrary, have the authority to promulgate rules and regulations to determine the treatment of an Award under the Plan in the event of the Participant's death, Disability, Retirement or termination for an Approved Reason, provided, however, in the case of Awards issued under the Restricted Stock Program, such rules and regulations are consistent with Section 13.7.

14.3 Noncompetition

Unless the Award Notice specifies otherwise, a Participant shall forfeit all unexercised, unearned, and/or unpaid Awards, including, but not by way of limitation, Awards earned but not yet paid, all unpaid dividends and dividend equivalents, and all interest, if any, accrued on the foregoing if, (i) in the opinion of the Committee, the Participant, without the prior written consent of Kodak, engages directly or indirectly in any manner or capacity as principal, agent, partner, officer, director, stockholder, employee, or otherwise, in any business or activity competitive with the business conducted by Kodak or any Subsidiary; (ii) at any time divulges to any person or any entity other than the Company any trade secrets, methods, processes or the proprietary or confidential information of the Company; or (iii) the Participant performs any act or engages in any activity which in the opinion of the CEO is inimical to the best interests of the Company. For purposes of this Section 14.3, a Participant shall not be deemed a stockholder if the Participant's record and beneficial ownership amount to not more than 1% of the outstanding capital stock of any company subject to the periodic and other reporting requirements of the Exchange Act.

ARTICLE 15 -- DIVIDEND AND DIVIDEND EQUIVALENTS

If an Award is granted in the form of a Stock Award, stock option, or performance share, or in the form of any other stock-based grant, the Committee may choose, at the time of the grant of the Award or any time thereafter up to the time of the Award's payment, to include as part of such Award an entitlement to receive dividends or dividend equivalents, subject to such terms, conditions, restrictions and/or limitations, if any, as the Committee may establish. Dividends and dividend equivalents shall be paid in such form and manner (i.e., lump sum or installments), and at such time(s) as the Committee shall determine. All dividends or dividend equivalents which are not paid currently may, at the Committee's discretion, accrue interest, be reinvested into additional shares of Common Stock or, in the case of dividends or dividend equivalents credited in connection with performance shares, be credited as additional performance shares and paid to the Participant if and when, and to the extent that, payment is made pursuant to such Award. The total number of shares available for grant under Section 6.1 shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional shares of Common Stock or credited as additional performance shares.

ARTICLE 16 -- DEFERRAL OF AWARDS

At the discretion of the Committee, payment of any Award, dividend, or dividend equivalent, or any portion thereof, may be deferred by a Participant until such time as the Committee may establish. All such deferrals shall be accomplished by the delivery of a written, irrevocable election by the Participant prior to the time established by the Committee for such purpose, on a form provided by the Company. Further, all deferrals shall be made in accordance with administrative guidelines established by the Committee to ensure that such deferrals comply with all applicable requirements of the Code. Deferred payments shall be paid in a lump sum or installments, as determined by the Committee. Deferred Awards may also be credited with interest, at such rates to be determined by the Committee, and, with respect to those deferred Awards denominated in the form of Common Stock, with dividends or dividend equivalents.

ARTICLE 17 -- CHANGE IN OWNERSHIP

17.1 Background

Notwithstanding any provision contained in the Plan, including, but not limited to, Sections 4.4 and 19.11, the provisions of this Article 17 shall control over any contrary provision. Upon a Change In Ownership: (i) the terms of this Article 17 shall immediately become operative, without further action or consent by any person or entity; (ii) all terms, conditions, restrictions, and limitations in effect on any unexercised, unearned, unpaid, and/or deferred Award, or any other outstanding Award, shall immediately lapse as of the date of such event; (iii) no other terms, conditions, restrictions and/or limitations shall be imposed upon any Awards on or after such date, and in no circumstance shall an Award be forfeited on or after such date; and (iv) except in those instances where a prorated Awards is required to be paid under this Article 17, all unexercised, unvested, unearned, and/or unpaid Awards or any other outstanding Awards shall automatically become one hundred percent (100%) vested immediately.

17.2 Dividends and Dividend Equivalents

Upon a Change In Ownership, all unpaid dividends and dividend equivalents and all interest accrued thereon, if any, shall be treated and paid under this Article 17 in the identical manner and time as the Award under which such dividends or dividend equivalents have been credited. For example, if upon a Change In Ownership, an Award under this Article 17 is to be paid in a prorated fashion, all unpaid dividends and dividend equivalents with respect to such Award shall be paid according to the same formula used to determine the amount of such prorated Award.

17.3 Treatment of Performance Units and Performance Shares

If a Change In Ownership occurs during the term of one or more performance periods for which the Committee has granted performance units and/or performance shares (including those issued as Performance Awards under Article 7), the term of each such performance period (hereinafter a "current performance period") shall immediately terminate upon the occurrence of such event. Upon a Change In Ownership, for each "current performance period" and each completed performance period for which the Committee has not on or before such date made a determination as to whether and to what degree the performance objectives for such period have been attained (hereinafter a "completed performance period"), it shall be assumed that the performance objectives have been attained at a level of one hundred percent (100%) or the equivalent thereof.

A Participant in one or more "current performance periods" shall be considered to have earned and, therefore, be entitled to receive, a prorated portion of the Awards previously granted to him for each such performance period. Such prorated portion shall be determined by multiplying the number of performance shares or performance units, as the case may be, granted to the Participant by a fraction, the numerator of which is the total number of whole months that have elapsed since the beginning of the performance period, and the denominator of which is the total number of full months in such performance period. For purposes of this calculation, a partial month shall be treated as a full month to the extent 15 or more days in such month have elapsed.

A Participant in one or more "completed performance periods" shall be considered to have earned and, therefore, be entitled to receive all the performance shares or performance units, as the case may be, previously granted to him during each such performance period.

17.4 Treatment of Awards under Performance Stock Program

Upon a Change in Ownership, any Participant of the Performance Stock Program, whether or not he or she is still employed by the Company, shall be paid, as soon as practicable but in no event later than 90 days after the Change in Ownership, a pro-rata Award for each Performance Cycle in which Participant was selected to participate and during which the Change in Ownership occurs. The amount of the pro-rata Award shall be determined by multiplying the Target Award for such Performance Cycle for Participants in the same wage grade as the Participant by a fraction, the numerator of which shall be the number of full months in the Performance Cycle prior to the date of the Change in Ownership and the denominator of which shall be the total number of full months in the Performance Cycle. For purposes of this calculation, a partial month shall be treated as a full month to the extent 15 or more days in such month have elapsed. To the extent Target Awards have not yet been established for the Performance Cycle, the Target Awards for the immediately preceding Performance Cycle shall be used.

17.5 Valuation of Awards

Upon a Change In Ownership, all outstanding Units of Common Stock, Freestanding SARs, stock options (including incentive stock options), Stock Awards (including those issued as Performance Awards under Article 7), performance shares (including those earned as a result of the application of Section 17.3 above), and all other outstanding stock-based Awards (including those earned as a result of the application of Section 17.4 above and those granted by the Committee pursuant to its authority under Subsection 4.2(m) hereof), shall be valued and cashed out on the basis of the Change In Control Price.

17.6 Payment of Awards

Upon a Change In Ownership, any Participant, whether or not he or she is still employed by the Company, shall be paid, in a single lump-sum cash payment, as soon as practicable but in no event later than 90 days after the Change In Ownership, all of his or her Units of Common Stock, Freestanding SARs, stock options (including incentive stock options), Stock Awards (including those issued as Performance Awards under Article 7), performance units and shares (including those earned as a result of the application of Section 17.3 above), all other outstanding stock-based Awards (including those earned as a result of the application of Section 17.4 above and those granted by the Committee pursuant to its authority under Subsection 4.2(m) hereof), and all other outstanding Awards.

17.7 Deferred Awards

Upon a Change In Ownership, all Awards deferred by a Participant under Article 16 hereof, but for which he or she has not received payment as of such date, shall be paid in a single lump-sum cash payment as soon as practicable, but in no event later than 90 days after the Change In Ownership. For purposes of making such payment, the value of all Awards which are stock based shall be determined by the Change In Control Price.

17.8 Section 16 of Exchange Act

(Intentionally Omitted)

17.9 Miscellaneous

Upon a Change In Ownership, (i) the provisions of Sections 14.2, 14.3 and 19.3 hereof shall become null and void and of no further force and effect; and (ii) no action, including, but not by way of limitation, the amendment, suspension, or termination of the Plan, shall be taken which would affect the rights of any Participant or the operation of the Plan with respect to any Award to which the Participant may have become entitled hereunder on or prior to the date of such action or as a result of such Change In Ownership.

ARTICLE 18 -- CHANGE IN CONTROL

18.1 Background

Notwithstanding any provision contained in the Plan, including, but not limited to, Sections 4.4 and 19.11, the provisions of this Article 18 shall control over any contrary provision. All Participants shall be eligible for the treatment afforded by this Article 18 if their employment terminates within two years following a Change In Control, unless the termination is due to (i) death, (ii) Disability, (iii) Cause, (iv) resignation other than (A) resignation from a declined reassignment to a job that is not reasonably equivalent in responsibility or compensation (as defined in Kodak's Termination Allowance Plan), or that is not in the same geographic area (as defined in Kodak's Termination Allowance Plan), or (B) resignation within 30 days following a reduction in base pay, or (v) Retirement.

18.2 Vesting and Lapse of Restrictions

If a Participant is eligible for treatment under this Article 18, (i) all of the terms, conditions, restrictions, and limitations in effect on any of his or her unexercised, unearned, unpaid and/or deferred Awards shall immediately lapse as of the date of his or her termination of employment; (ii) no other terms, conditions, restrictions and/or limitations shall be imposed upon any of his or her Awards on or after such date, and in no event shall any of his or her Awards be forfeited on or after such date; and (iii) except in those instances where a prorated Award is required to be paid under this Article 18, all of his or her unexercised, unvested, unearned and/or unpaid Awards shall automatically become one hundred percent (100%) vested immediately upon his or her termination of employment.

18.3 Dividends and Dividend Equivalents

If a Participant is eligible for treatment under this Article 18, all of his or her unpaid dividends and dividend equivalents and all interest accrued thereon, if any, shall be treated and paid under this Article 18 in the identical manner and time as the Award under which such dividends or dividend equivalents have been credited.

18.4 Treatment of Performance Units and Performance Shares

If a Participant holding either performance units or performance shares (including those issued as Performance Awards under Article 7) is terminated under the conditions described in Section 18.1 above, the provisions of this Section 18.4 shall determine the manner in which such performance units and/or performance shares shall be paid to the Participant. For purposes of making such payment, each "current performance period," as that term is defined in Section 17.3, shall be treated as terminating upon the date of the Participant's termination of employment, and for each such "current performance period" and each "completed performance period," as that term is defined in Section 17.3, it shall be assumed that the performance objectives have been attained at a level of one hundred percent (100%) or the equivalent thereof. If the Participant is participating in one or more "current performance periods," he or she shall be considered to have earned and, therefore, be entitled to receive that prorated portion of the Awards previously granted to him for each such performance period, as determined in accordance with the formula established in Section 17.3 hereof. A Participant in one or more "completed performance periods" shall be considered to have earned and, therefore, be entitled to receive all the performance shares and performance units previously granted to him during each performance period.

18.5 Treatment of Awards under Performance Stock Program

If a Participant of the Performance Stock Program is eligible for treatment under this Article 18, he or she shall be paid, as soon as practicable but in no event later than 90 days after the date of his or her termination of employment, a pro-rata Award for each Performance Cycle in which Participant was selected to participate and during which the Change in Ownership occurs. The amount of the pro-rata Award shall be determined by multiplying the Target Award for such Performance Cycle for Participants in the same wage grade as the Participant by a fraction, the numerator of which shall be the number of full months in the Performance Cycle prior to the date of his or her termination of employment and the denominator of which shall be the total number of full months in the Performance Cycle. For purposes of this calculation, a partial month shall be treated as a full month to the extent 15 or more days in such month have elapsed. To the extent Target Awards have not yet been established for the Performance Cycle, the Target Awards for the immediately preceding Performance Cycle shall be used.

18.6 Valuation of Awards

If a Participant is eligible for treatment under this Article 18, his or her Awards shall be valued and cashed out in accordance with the provisions of Section 17.5.

18.7 Payment of Awards

If a Participant is eligible for treatment under this Article 18, he or she shall be paid, in a single lump-sum cash payment, as soon as practicable but in no event later than 90 days after the date of his or her termination of employment, all of his or her Units of Common Stock, Freestanding SARs, stock options (including incentive stock options), Stock Awards (including those issued as Performance Awards under Article 7), performance units and shares (including those earned as a result of the application of Section 18.4 above), all other outstanding stock-based Awards (including those earned as a result of the application of Section 18.5 above and those granted by the Committee pursuant to its authority under Subsection 4.2(m) hereof), and all other outstanding Awards.

18.8 Deferred Awards

If a Participant is eligible for treatment under this Article 18, all of his or her deferred Awards for which payment has not been received as of the date of his or her termination of employment shall be paid to the Participant in a single lump-sum cash payment as soon as practicable, but in no event later than 90 days after the date of the Participant's termination. For purposes of making such payment, the value of all Awards which are stock based shall be determined by the Change In Control Price.

18.9 Section 16 of Exchange Act

(Intentionally Omitted)

18.10 Miscellaneous

Upon a Change In Control, (i) the provisions of Sections 14.2, 14.3 and 19.3 hereof shall become null and void and of no force and effect insofar as they apply to a Participant who has been terminated under the conditions described in Section 18.1 above; and (ii) no action, including, but not by way of limitation, the amendment, suspension or termination of the Plan, shall be taken which would affect the rights of any Participant or the operation of the Plan with respect to any Award to which the Participant may have become entitled hereunder on or prior to the date of the Change In Control or to which he or she may become entitled as a result of such Change In Control.

18.11 Legal Fees

Kodak shall pay all legal fees and related expenses incurred by a Participant in seeking to obtain or enforce any payment, benefit or right he or she may be entitled to under the Plan after a Change In Control; provided, however, the Participant shall be required to repay any such amounts to Kodak to the extent a court of competent jurisdiction issues a final and non-appealable order setting forth the determination that the position taken by the Participant was frivolous or advanced in bad faith.

ARTICLE 19 -- MISCELLANEOUS

19.1 Nonassignability

No Awards or any other payment under the Plan shall be subject in any manner to alienation, anticipation, sale, transfer (except by will or the laws of descent and distribution), assignment, pledge, or encumbrance, nor shall any Award be payable to or exercisable by anyone other than the Participant to whom it was granted.

19.2 Withholding Taxes

The Company shall be entitled to deduct from any payment under the Plan, regardless of the form of such payment, the amount of all applicable income and employment taxes required by law to be withheld with respect to such payment or may require the Participant to pay to it such tax prior to and as a condition of the making of such payment. In accordance with any applicable administrative guidelines it establishes, the Committee may allow a Participant to pay the amount of taxes required by law to be withheld from an Award by withholding from any payment of Common Stock due as a result of such Award, or by permitting the Participant to deliver to the Company, shares of Common Stock having a fair market value, as determined by the Committee, equal to the amount of such required withholding taxes.

19.3 Amendments to Awards

The Committee may at any time unilaterally amend any unexercised, unearned, or unpaid Award, including, but not by way of limitation, Awards earned but not yet paid, to the extent it deems appropriate; provided, however, that any such amendment which, in the opinion of the Committee, is adverse to the Participant shall require the Participant's consent.

19.4 Regulatory Approvals and Listings

Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates of Common Stock evidencing Stock Awards or any other Award resulting in the payment of Common Stock prior to (i) the obtaining of any approval from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable, (ii) the admission of such shares to listing on the stock exchange on which the Common Stock may be listed, and (iii) the completion of any registration or other qualification of said shares under any state or Federal law or ruling of any governmental body which the Company shall, in its sole discretion, determine to be necessary or advisable.

19.5 No Right to Continued Employment or Grants

Participation in the Plan shall not give any Employee any right to remain in the employ of Kodak or any Subsidiary. Kodak or, in the case of employment with a Subsidiary, the Subsidiary, reserves the right to terminate any Employee at any time. Further, the adoption of this Plan shall not be deemed to give any Employee or any other individual any right to be selected as a Participant or to be granted an Award.

19.6 Amendment/Termination

The Committee may suspend or terminate the Plan at any time with or without prior notice. In addition, the Committee may, from time to time and with or without prior notice, amend the Plan in any manner, but may not without shareholder approval adopt any amendment which would require the vote of the shareholders of Kodak pursuant to Section 162(m) of the Code, but only insofar as such amendment affects Covered Employees.

19.7 Governing Law

The Plan shall be governed by and construed in accordance with the laws of the State of New York, except as superseded by applicable Federal Law.

19.8 No Right, Title, or Interest in Company Assets

No Participant shall have any rights as a shareholder as a result of participation in the Plan until the date of issuance of a stock certificate in his or her name, and, in the case of restricted shares of Common Stock, such rights are granted to the Participant under the Plan. To the extent any person acquires a right to receive payments from the Company under the Plan, such rights shall be no greater than the rights of an unsecured creditor of the Company and the Participant shall not have any rights in or against any specific assets of the Company. All of the Awards granted under the Plan shall be unfunded.

19.9 Section 16 of the Exchange Act

In order to avoid any Exchange Act violations, the Committee may, from time to time, impose additional restrictions upon an Award, including but not limited to, restrictions regarding tax withholdings and restrictions regarding the Participant's ability to exercise Awards under the Company's broker-assisted exercise program.

19.10 No Guarantee of Tax Consequences

No person connected with the Plan in any capacity, including, but not limited to, Kodak and its Subsidiaries and their directors, officers, agents and employees makes any representation, commitment, or guarantee that any tax treatment, including, but not limited to, Federal, state and local income, estate and gift tax treatment, will be applicable with respect to amounts deferred under the Plan, or paid to or for the benefit of a Participant under the Plan, or that such tax treatment will apply to or be available to a Participant on account of participation in the Plan.

19.11 Compliance with Section 162(m)

If any provision of the Plan, other than the application of those contained in Articles 17 or 18 hereof, would cause the Awards granted to a Covered Person not to qualify as "Performance-Based Compensation" under Section 162(m) of the Code, that provision, insofar as it pertains to the Covered Person, shall be severed from, and shall be deemed not to be a part of, this Plan, but the other provisions hereof shall remain in full force and effect.

19.12 Other Benefits

No Award granted under the Plan shall be considered compensation for purposes of computing benefits under any retirement plan of the Company nor affect any benefits or compensation under any other benefit or compensation plan of the Company now or subsequently in effect.

1995 Omnibus Long-Term Compensation Plan November 1, 1996

Exhibit (10) N.

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Second Amendment" or "Amendment"), made as of the 25th day of February, 1997, is intended to further amend a certain Employment Agreement, dated as of the 27th day of October, 1993 and amended on April 4, 1994, by and between George M.C. Fisher (the "Executive") and the Eastman Kodak Company (the "Company") hereinafter the "Employment Agreement."

WHEREAS, the Executive served as Chairman, President and Chief Executive Officer of the Company until December 31, 1996 and Chairman and Chief Executive Officer since January 1, 1997 under the Employment Agreement, and

WHEREAS, the Company desires to continue the employment of the Executive as Chairman and Chief Executive Officer and the Executive desires to continue such employment beyond the originally scheduled term of employment; and

WHEREAS, the Company further desires to grant the Executive an award of restricted shares of common stock pursuant to the Company's 1995 Omnibus Long-Term Compensation Plan; and

WHEREAS, the Company further desires to grant the Executive an option to purchase shares of the Company's common stock; and

WHEREAS, the Executive and the Company additionally desire to clarify several other provisions of the Employment Agreement.

NOW, THEREFORE, based upon the mutual promises and conditions contained herein, the parties hereto do hereby agree that the Employment Agreement shall be amended effective as of the date and year first written above as follows:

1. Subsection (f) of Section 1 entitled "Definitions" is amended by changing the second sentence to read as follows:

A competitive activity shall mean a business that (i) is being conducted by the Company or any Subsidiary at the time in question and (ii) is, in the case of Competition engaged in by the Executive during employment, being conducted by the Company or a Subsidiary during the term of employment and, in the case of Competition engaged in by the Executive after termination of employment, was being conducted at the date of the termination of the Executive's employment, provided that competitive activities shall not include (x) any business principally in the telecommunications industry or (y) any non-imaging business, or combination of similar non-imaging businesses, contributing less than 5% of the Company's revenues on a consolidated basis for the fiscal year in question.

2. Subsection (g)(iii) of Section 1 is amended to delete ", President".

3. Section 2 entitled "Term of Employment" is amended as follows:

The date "October 26, 1998" is replaced with "December 31, 2000."

4. Subsection (a) of Section 5 entitled "Annual Incentive Awards" is amended by changing it to read as follows:

(a) The Company's Annual Incentive Plan. He shall have an accrual target award opportunity under the Company's Management Annual Performance Plan of at least \$1,000,000 and a minimum guaranteed payment of \$1,000,000 for each of 1994 and 1995. Effective for years beginning with 1997, his annual target award opportunity under the Management Variable Compensation Plan or any successor plan shall be at least 90% of Base Salary.

5. Subsection (b) of Section 6 entitled "Long-Term Incentive Programs" is amended to add "s" to "Award" in the sub-caption, to insert "(i)" immediately after the sub-caption and to add a new subsection 6(b)(ii) as follows:

(ii) As soon as practicable after the execution of the Second Amendment, the Company shall grant the Executive 50,000 shares of stock substantially in the form attached to the Amendment as Exhibit A, such stock to be subject to forfeiture if the Executive's employment terminates pursuant to Section 11(c) or 11(f) below prior to the end of the Term of Employment.

6. Subsection (c) of Section 6 is amended to add "s" to "Award" in the sub-caption, to insert "(i)" immediately after the sub-caption and to add a new subsection (ii) as follows:

(ii) As soon as practicable after the execution of the Second Amendment, the Company shall grant the Executive a 10-year option, substantially in the form attached to this Amendment as Exhibit B, to purchase 2,000,000 shares of Stock (the "Option"). The exercise price of the Option shall be the closing market price for the Stock on the New York Stock Exchange on the date of grant.

7. Subsection (a) of Section 9 entitled "Supplemental Pension" is amended to read as follows:

(a) The Executive shall be entitled to a pension benefit to be determined in accordance with the formula under the Company's Retirement Income Plan as in effect on the date of this Agreement (the "Plan") (without regard to any limitations that may be applicable under the Internal Revenue Code), subject to adjustment for any future enhancements in that formula. For purposes of determining his benefit under this Section 9 (a), upon execution of the Second Amendment, the Executive shall be deemed credited, for all Plan purposes, with 22 years of service under the Plan in addition to credited service for actual employment with the Company and shall be deemed to have 5 years of age in addition to his actual age. The Executive shall also be provided with credited service following certain terminations of employment as described in Section 11 below. The pension benefit provided under this Section 9(a) shall be offset by any other pension benefit provided to the Executive under any other Company pension plan or any pension plan of his prior employer. The Executive shall be entitled to receive the pension benefit provided in this Section 9(a) at age 60 with no reduction for age.

8. Subsection (d) of Section 10 is amended to insert "(i)" immediately after (d) and to add a new subsection (ii) as follows:

(ii) At any time within 1 year following the termination of the Executive's employment, at the election of the Executive, the Company shall promptly purchase his primary Rochester residence at a price equal to the greater of (x) the Executive's purchase price plus the cost of documented improvements or (y) the then fair market value. The fair market value shall be determined by a nationally-recognized appraiser, as mutually agreed by the Parties.

9. Subsections (h) and (i) of Section 11 entitled "Termination of Employment" are redesignated subsections (i) and (j), respectively and a new subsection (h) is added as follows:

(h) Termination for an Approved Reason. Any termination of Executive's employment on or after December 31, 2000, other than a termination for Cause as that term is defined in the Employment Agreement, shall be deemed a termination for an "Approved Reason" under the Administrative Guides or other operating guidelines under the 1990 Omnibus Long-Term Compensation Plan and the 1995 Omnibus Long-Term Compensation Plan, or for any other purpose for which "Approved Reason" is a relevant term.

10. Section 12 is amended to add the word "Non-competition" at the end of the heading and to add a new subsection (c) as follows:

(c) During the Term of Employment and for the period ending on the earlier of December 31, 2002 or the second anniversary of the Executive's termination of employment under the Employment Agreement, the Executive shall not, without the written consent of an officer of the Company, engage in Competition, as defined in Section 1(f) above.

11. All of the remaining terms of the Employment Agreement, to the extent they are not inconsistent with the terms hereof, shall remain in full force and effect, without amendment or modification.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the date and year first above written.

Eastman Kodak Company

By: (Signature)
Michael P. Morley

Title: Senior Vice President and
Director, Human Resources

(Signature)

George M.C. Fisher

Exhibit A

**NOTICE OF RESTRICTED STOCK
GRANTED FEBRUARY 25, 1997
PURSUANT TO
EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM
COMPENSATION PLAN
(Grant Notice)**

To: George M.C. Fisher

You are granted 50,000 shares of Eastman Kodak Company (the "Company") Common Stock (the "Restricted Shares"). The Restricted Shares are granted under the Eastman Kodak Company 1995 Omnibus Long-Term Compensation Plan (the "Plan") and are subject to the terms of the Plan and the following conditions:

1. The Restricted Shares awarded hereunder shall be promptly issued and a certificate(a) for such shares shall be issued in your name. You shall thereupon be a shareholder of all the shares represented by the certificate(a). As such, you shall have all the rights of a shareholder with respect to such shares, including, but not limited to, the right to vote such shares and to receive all dividends and other distributions (subject to Paragraph 2 below) paid with respect to them, provided, however, that the shares shall be subject to the restrictions in Paragraph 4 below. The stock certificates representing such shares shall be imprinted with a legend stating that the shares represented thereby are restricted shares subject to the terms and conditions of this Grant Notice and, as such may not be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of except in accordance with the terms of this Grant Notice. Each transfer agent for the Common Stock shall be instructed to like effect in respect of such shares. In aid of such restrictions, you shall immediately upon receipt of the certificate(a) therefore, deposit such certificate(a) together with a stock power or other like instrument of transfer, appropriately endorsed in blank, with an escrow agent designated by the Committee, which may be the Company, under a deposit agreement containing such terms and conditions as the Committee shall approve, the expenses of such escrow to be borne by the Company.
2. If under Section 6.2 of the Plan, entitled "Adjustment to Shares," you, as the owner of the Restricted Shares, shall be entitled to new, additional or different shares of stock or securities, the certificate or certificates for, or other evidences of, such new, additional or different shares or securities together with a stock power or other instrument of transfer appropriately endorsed, shall be imprinted with a legend as provided in Paragraph 1 above, deposited by you under the deposit agreement provided for therein, and subject to the restrictions provided for in Paragraph 4 below.
3. The term "Restricted Period" with respect to the Restricted Shares, shall mean the period beginning on February 25, 1997 and ending on January 1, 2001.
4. During the Restricted Period, none of the Restricted Shares, shall be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of except by will or the laws of descent and distribution. Any attempt by you to dispose of your shares in any such manner shall result in the immediate forfeiture of such shares and any other shares then held by the designated escrow agent on your behalf.
5. Subject to Paragraph 6 below, if your employment is terminated pursuant to Section II(c) or II(f) of the Employment Agreement between you and the Company dated October 27, 1993, as amended through February 25, 1997 (the "Employment Agreement"), at any time before the Restriction Period ends, you shall immediately forfeit all of the Restricted Shares then held on your behalf by the designated escrow agent.

6. The restrictions set forth in Paragraph 4 above, with respect to the Restricted Shares held by the designated escrow agent on your behalf, will lapse upon the earlier of:

- (i) the expiration of the Restricted Period; or
- (ii) the termination of your employment under Section 11(a), 11(b), 11(d), or 11(e) of the Employment Agreement.

7. During the Restricted Period, if you engage in Competition, as defined in Section 1(f) of the Employment Agreement, you shall forfeit the Restricted Shares.

8. The Company, or the designated escrow agent at the request of the Company, shall be entitled to deduct from the Restricted Shares the amount of all applicable income and employment taxes required to be withheld unless you make other arrangements with the Company for the timely payment of such taxes.

EXHIBIT B
NOTICE OF STOCK OPTION
GRANTED FEBRUARY 25, 1997
("Grant Notice")

To: George M. C. Fisher

You are granted a Nonqualified Stock Option to purchase 2,000,000 shares (See Footnote 1) of Eastman Kodak Company (the "Company") Common Stock at \$ per share. This option is granted subject to the terms of this Grant Notice.

1. This option shall become exercisable (vested) in 25% cumulative annual installments starting one year after grant.
2. This option, unless sooner terminated or exercised in full, shall expire on February 24, 2007.
3. If your employment is terminated due to death, Disability, Retirement after December 31, 2000 or termination for an Approved Reason, this option shall immediately become exercisable and vested in full and shall continue to be exercisable until its scheduled expiration date under Paragraph 2 above or, if sooner, its exercise in full. If your employment is terminated for any reason other than death, Disability, Retirement or an Approved Reason, any portion of the option exercisable at the time of such termination shall not be exercisable beyond the 60th day following the date of your termination of employment and any portion of the option not exercisable at the time of your termination shall be immediately forfeited.
4. In the event of a Change in Control (as defined in the Employment Agreement), this option shall immediately become vested and exercisable in full and shall continue to be exercisable until its scheduled expiration date under Paragraph 2 above or, if sooner, its exercise in full. Termination of your employment for any reason following such Change in Control shall not affect this option.
5. You may exercise this option regardless of whether any other option you have been granted by the Company remains unexercised.
6. The option price for the shares for which this option is exercised by you shall be paid by you, on the date the option is exercised, in cash, in shares of Common Stock owned by you or a combination of the foregoing. Any share of Common Stock delivered in payment of the option price shall be valued at its "fair market value". For purposes of this paragraph, "fair market value" shall mean the opening price of the Common Stock on the New York Stock Exchange on the date of exercise; provided, however, if the Common Stock is not traded on such date, then the opening price on the immediately preceding date on which Common Stock is traded shall be used.
7. This option shall not be treated as an incentive stock option under the Internal Revenue Code.
8. You may pay the amount of taxes required to be withheld upon exercise of the option by (i) delivering a check made payable to the Company or (ii) delivering to the Company at the time of such exercise shares of Common Stock having a "fair market value", as determined in accordance with Paragraph 6 above, equal to the amount of such withholding taxes.

9. You shall not have any of the rights of a shareholder with respect to the shares of Common Stock covered by this option except to the extent one or more certificates for such shares shall be delivered to you upon the exercise of the option.
10. Notwithstanding paragraphs 8 and 9 above to the contrary, you may exercise this option by way of the Company's broker-assisted stock option exercise program to the extent such program is available at the time of such exercise. Pursuant to the terms of such program, the amount of any taxes required to be withheld upon exercise of any options under the program shall be paid in cash directly to the Company.
11. The obligation of the Company to sell and deliver any stock under this option is specifically subject to all applicable laws, rules, regulations and required governmental approvals. The Company shall use its reasonable best efforts to obtain such approvals as promptly as practicable.
12. If the number of outstanding shares of Common Stock shall, at any time, be increased or decreased or changed or converted into cash or other property as a result of (a) any subdivision or consolidation of shares, stock dividend, stock split, recapitalization, reclassification or similar capital adjustment or (b) any combination, exchange of shares or similar event arising from the Company's participation in any corporate merger, consolidation or similar transaction in which the Company is the surviving entity and is not substantially or completely liquidated, the number and kind of shares with respect to which this option may thereafter be exercised and the exercise price shall be appropriately adjusted. Any fractional shares resulting from such adjustments shall be disregarded.
13. The Company shall use its best efforts so that on or prior to December 31, 1997, all shares received by you on any exercise of the option shall be, and shall remain, (1) fully registered (at the Company's expense) under the Securities Act of 1933, as amended (the "1933 Act"), both for issuance and for resale, pursuant to a registration on Form S-3 under the 1933 Act or such successor procedure that provides comparable opportunity under the 1933 Act for issuance and resale; (2) fully registered or qualified (at the Company's expense), under such state securities laws as you may reasonably request, both for issuance and for resale; and (3) listed on the New York Stock Exchange.
14. Any notice by you to the Company and any notice by the Company to you shall be in writing and shall be deemed duly given if mailed to the other at the address you or the Company have last specified to the other.
15. The validity and construction of this Grant Notice shall be governed by the laws of the State of New York without reference to principles of conflict of laws.
16. "Termination for an Approved Reason" shall include, without limitation, (i) a Termination Without Cause or Constructive Termination Without Cause under Section 11(d) of the Employment Agreement between you and the Company dated as of October, 1993, as amended through [February] 1997 (the "Employment Agreement"); (ii) a Termination of Employment Following a Change in Control under Section 11 (e) of the Employment Agreement; or (iii) a Termination for an Approved Reason under Section 11(h) of the Employment Agreement.
17. "Disability" shall have the same meaning as ascribed to it under Section 1(h) of the Employment Agreement.
18. "Retirement" shall mean the occurrence of your retirement as determined in accordance with Section 9 of the Employment Agreement.

19. During the term of your employment and for the period ending on the earlier of December 31, 2002 or the second anniversary of the termination of your employment under the Employment Agreement, if you engage in Competition, as defined in Section 1(f) of the Employment Agreement, without the written consent of an officer of the Company, you shall immediately forfeit all unexercised option shares.

20. This option is non-assignable and non-transferable, in whole or in part, other than (i) by gratuitous transfers to immediate family members, to trusts for their benefit, or to limited partnerships in which immediate family members are the sole partners, (ii) by will or under the laws of descent and distribution, or (iii), on your death, to a beneficiary designated in writing by you, with any such permitted transferee to succeed to your rights and obligations under the option to the extent of such transfer.

Footnote

1 Actual grant shall be for 2,000,000 shares less the number of shares that shall be granted concurrently under a stock option intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code. Such option grant shall be in substantially the same form as this grant except to the extent necessary to constitute an incentive stock option under Section 422.

February 25, 1997

TO: George M. C. Fisher

RE: Post Retirement Arrangements

Dear George:

I would like to record the Company's intentions with respect to two of your post-retirement arrangements. The Company will furnish you with an office and full-time secretary for as long as you desire, according to the Company policy for former chief executive officers in effect as of the date of your retirement. Additionally, you and your spouse will be entitled to the continued use of Company aircraft, also according to the Company policy for former chief executive officers in effect as of the date of your retirement.

Eastman Kodak Company

By: (Signature)
Michael P. Morley

Title: Senior Vice President and
Director, Human Resources

(Signature)

George M. C. Fisher

**NOTICE OF RESTRICTED STOCK
GRANTED FEBRUARY 25, 1997
PURSUANT TO
EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM
COMPENSATION PLAN
(Grant Notice)**

To: George M.C. Fisher

You are granted 50,000 shares of Eastman Kodak Company (the "Company") Common Stock (the "Restricted Shares"). The Restricted Shares are granted under the Eastman Kodak Company 1995 Omnibus Long-Term Compensation Plan (the "Plan") and are subject to the terms of the Plan and the following conditions:

1. The Restricted Shares awarded hereunder shall be promptly issued and a certificate(a) for such shares shall be issued in your name. You shall thereupon be a shareholder of all the shares represented by the certificate(a). As such, you shall have all the rights of a shareholder with respect to such shares, including, but not limited to, the right to vote such shares and to receive all dividends and other distributions (subject to Paragraph 2 below) paid with respect to them, provided, however, that the shares shall be subject to the restrictions in Paragraph 4 below. The stock certificates representing such shares shall be imprinted with a legend stating that the shares represented thereby are restricted shares subject to the terms and conditions of this Grant Notice and, as such may not be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of except in accordance with the terms of this Grant Notice. Each transfer agent for the Common Stock shall be instructed to like effect in respect of such shares. In aid of such restrictions, you shall immediately upon receipt of the certificate(a) therefore, deposit such certificate(a) together with a stock power or other like instrument of transfer, appropriately endorsed in blank, with an escrow agent designated by the Committee, which may be the Company, under a deposit agreement containing such terms and conditions as the Committee shall approve, the expenses of such escrow to be borne by the Company.
2. If under Section 6.2 of the Plan, entitled "Adjustment to Shares," you, as the owner of the Restricted Shares, shall be entitled to new, additional or different shares of stock or securities, the certificate or certificates for, or other evidences of, such new, additional or different shares or securities together with a stock power or other instrument of transfer appropriately endorsed, shall be imprinted with a legend as provided in Paragraph 1 above, deposited by you under the deposit agreement provided for therein, and subject to the restrictions provided for in Paragraph 4 below.
3. The term "Restricted Period" with respect to the Restricted Shares, shall mean the period beginning on February 25, 1997 and ending on January 1, 2001.
4. During the Restricted Period, none of the Restricted Shares, shall be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of except by will or the laws of descent and distribution. Any attempt by you to dispose of your shares in any such manner shall result in the immediate forfeiture of such shares and any other shares then held by the designated escrow agent on your behalf.
5. Subject to Paragraph 6 below, if your employment is terminated pursuant to Section II(c) or II(f) of the Employment Agreement between you and the Company dated October 27, 1993, as amended through February 25, 1997 (the "Employment Agreement"), at any time before the Restriction Period ends, you shall immediately forfeit all of the Restricted Shares then held on your behalf by the designated escrow agent.

6. The restrictions set forth in Paragraph 4 above, with respect to the Restricted Shares held by the designated escrow agent on your behalf, will lapse upon the earlier of:

- (i) the expiration of the Restricted Period; or
- (ii) the termination of your employment under Section 11(a), 11(b), 11(d), or 11(e) of the Employment Agreement.

7. During the Restricted Period, if you engage in Competition, as defined in Section 1(f) of the Employment Agreement, you shall forfeit the Restricted Shares.

8. The Company, or the designated escrow agent at the request of the Company, shall be entitled to deduct from the Restricted Shares the amount of all applicable income and employment taxes required to be withheld unless you make other arrangements with the Company for the timely payment of such taxes.

**NOTICE OF STOCK OPTION
GRANTED FEBRUARY 25, 1997
PURSUANT TO
EASTMAN KODAK COMPANY**

1995 OMNIBUS LONG-TERM COMPENSATION PLAN

("Grant Notice")

To: George M. C. Fisher

You are granted an Incentive Stock Option to purchase 3,328 shares of Eastman Kodak Company (the "Company") Common Stock at \$90.125 per share. This option is granted under the Eastman Kodak Company 1995 Omnibus Long-Term Compensation Plan (the "Plan") subject to the terms of this Grant Notice.

1. This option shall become exercisable (vested) in accordance with the following schedule:

| | |
|-------------------|------|
| February 25, 1999 | 1109 |
| February 25, 2000 | 1109 |
| February 25, 2001 | 1110 |

2. This option, unless sooner terminated or exercised in full, shall expire on February 24, 2007.

3. If your employment is terminated due to death, Disability, Retirement after December 31, 2000 or termination for an Approved Reason, this option shall immediately become exercisable and vested in full and shall continue to be exercisable until its scheduled expiration date under Paragraph 2 above or, if sooner, its exercise in full. If your employment is terminated for any reason other than death, Disability, Retirement after December 31, 2000 or an Approved Reason, any portion of the option exercisable at the time of such termination shall not be exercisable beyond the 60th day following the date of your termination of employment and any portion of the option not exercisable at the time of your termination shall be immediately forfeited.

4. In the event of a Change in Control (as defined in the Employment Agreement between you and the Company dated October 27, 1993, as amended through February 25, 1997 [the "Employment Agreement"]), this option shall immediately become vested and exercisable in full and shall continue to be exercisable until its scheduled expiration date under Paragraph 2 above or, if sooner, its exercise in full. Termination of your employment for any reason following such Change in Control shall not affect this option.

5. You may exercise this option regardless of whether any other option you have been granted by the Company remains unexercised.

6. The option price for the shares for which this option is exercised by you shall be paid by you, on the date the option is exercised, in cash, in shares of Common Stock owned by you or a combination of the foregoing. Any share of Common Stock delivered in payment of the option price shall be valued at its "fair market value". For purposes of this paragraph, "fair market value" shall mean the opening price of the Common Stock on the New York Stock Exchange on the date of exercise; provided, however, if the Common Stock is not traded on such date, then the opening price on the immediately preceding date on which Common Stock is traded shall be used.

7. This option is an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986. To the extent any provision in this Grant Notice is determined to be inconsistent or contrary to Section 422, such provision shall automatically without any further action be changed, effective as of the date of the option's grant, so as to be consistent and in compliance with such section.

8. You may pay the amount of taxes required to be withheld upon exercise of the option by (i) delivering a check made payable to the Company or (ii) delivering to the Company at the time of such exercise shares of Common Stock having a "fair market value", as determined in accordance with Paragraph 6 above, equal to the amount of such withholding taxes.
9. You shall not have any of the rights of a shareholder with respect to the shares of Common Stock covered by this option except to the extent one or more certificates for such shares shall be delivered to you upon the exercise of the option.
10. The obligation of the Company to sell and deliver any stock under this option is specifically subject to all applicable laws, rules, regulations and required governmental approvals. The Company shall use its reasonable best efforts to obtain such approvals as promptly as practicable.
11. If the number of outstanding shares of Common Stock shall, at any time, be increased or decreased or changed or converted into cash or other property as a result of (a) any subdivision or consolidation of shares, stock dividend, stock split, recapitalization, reclassification or similar capital adjustment or (b) any combination, exchange of shares or similar event arising from the Company's participation in any corporate merger, consolidation or similar transaction in which the Company is the surviving entity and is not substantially or completely liquidated, the number and kind of shares with respect to which this option may thereafter be exercised and the exercise price shall be appropriately adjusted. Any fractional shares resulting from such adjustments shall be disregarded.
12. Any notice by you to the Company and any notice by the Company to you shall be in writing and shall be deemed duly given if mailed to the other at the address you or the Company have last specified to the other.
13. The validity and construction of this Grant Notice shall be governed by the laws of the State of New York without reference to principles of conflict of laws.
14. "Termination for an Approved Reason" shall include, without limitation, (i) a Termination Without Cause or Constructive Termination Without Cause under Section 11(d) of the Employment Agreement; (ii) a Termination of Employment Following a Change in Control under Section 11(e) of the Employment Agreement; or (iii) a Termination for an Approved Reason under Section 11(h) of the Employment Agreement.
15. "Disability" shall have the same meaning as ascribed to it under Section 1(h) of the Employment Agreement.
16. "Retirement" shall mean the occurrence of your retirement as determined in accordance with Section 9 of the Employment Agreement.
17. During the term of your employment and for the period ending on the earlier of December 31, 2002 or the second anniversary of the termination of your employment under the Employment Agreement, if you engage in Competition, as defined in Section 1(f) of the Employment Agreement, without the written consent of an officer of the Company, you shall immediately forfeit all unexercised option shares.
18. This option is non-assignable and non-transferable, in whole or in part, other than by will or under the laws of descent and distribution.

**NOTICE OF STOCK OPTION
GRANTED FEBRUARY 25, 1997
PURSUANT TO
EASTMAN KODAK COMPANY
1997 STOCK OPTION PLAN
("Grant Notice")**

To: George M. C. Fisher

You are granted a Nonqualified Stock Option to purchase 1,996,672 shares of Eastman Kodak Company (the "Company") Common Stock at \$90.125 per share. This option is granted under the Eastman Kodak Company 1997 Stock Option Plan (the "Plan") subject to the terms of this Grant Notice.

1. This option shall become exercisable (vested) in accordance with the following schedule:

| | |
|-------------------|---------|
| February 25, 1998 | 500,000 |
| February 25, 1999 | 498,891 |
| February 25, 2000 | 498,891 |
| February 25, 2001 | 498,890 |

2. This option, unless sooner terminated or exercised in full, shall expire on February 24, 2007.

3. If your employment is terminated due to death, Disability, Retirement after December 31, 2000 or termination for an Approved Reason, this option shall immediately become exercisable and vested in full and shall continue to be exercisable until its scheduled expiration date under Paragraph 2 above or, if sooner, its exercise in full. If your employment is terminated for any reason other than death, Disability, Retirement after December 31, 2000 or an Approved Reason, any portion of the option exercisable at the time of such termination shall not be exercisable beyond the 60th day following the date of your termination of employment and any portion of the option not exercisable at the time of your termination shall be immediately forfeited.

4. In the event of a Change in Control (as defined in the Employment Agreement between you and the Company dated October 27, 1993, as amended through February 25, 1997 [the "Employment Agreement"]), this option shall immediately become vested and exercisable in full and shall continue to be exercisable until its scheduled expiration date under Paragraph 2 above or, if sooner, its exercise in full. Termination of your employment for any reason following such Change in Control shall not affect this option.

5. You may exercise this option regardless of whether any other option you have been granted by the Company remains unexercised.

6. The option price for the shares for which this option is exercised by you shall be paid by you, on the date the option is exercised, in cash, in shares of Common Stock owned by you or a combination of the foregoing. Any share of Common Stock delivered in payment of the option price shall be valued at its "fair market value". For purposes of this paragraph, "fair market value" shall mean the opening price of the Common Stock on the New York Stock Exchange on the date of exercise; provided, however, if the Common Stock is not traded on such date, then the opening price on the immediately preceding date on which Common Stock is traded shall be used.

7. This option shall not be treated as an incentive stock option under the Internal Revenue Code.

8. You may pay the amount of taxes required to be withheld upon exercise of the option by (i) delivering a check made payable to the Company or (ii) delivering to the Company at the time of such exercise shares of Common Stock having a "fair market value", as determined in accordance with Paragraph 6 above, equal to the amount of such withholding taxes.

9. You shall not have any of the rights of a shareholder with respect to the shares of Common Stock covered by this option except to the extent one or more certificates for such shares shall be delivered to you upon the exercise of the option.

10. Notwithstanding paragraphs 8 and 9 above to the contrary, you may exercise this option by way of the Company's broker-assisted stock option exercise program to the extent such program is available at the time of such exercise. Pursuant to the terms of such program, the amount of any taxes required to be withheld upon exercise of any options under the program shall be paid in cash directly to the Company.
11. The obligation of the Company to sell and deliver any stock under this option is specifically subject to all applicable laws, rules, regulations and required governmental approvals. The Company shall use its reasonable best efforts to obtain such approvals as promptly as practicable.
12. If the number of outstanding shares of Common Stock shall, at any time, be increased or decreased or changed or converted into cash or other property as a result of (a) any subdivision or consolidation of shares, stock dividend, stock split, recapitalization, reclassification or similar capital adjustment or (b) any combination, exchange of shares or similar event arising from the Company's participation in any corporate merger, consolidation or similar transaction in which the Company is the surviving entity and is not substantially or completely liquidated, the number and kind of shares with respect to which this option may thereafter be exercised and the exercise price shall be appropriately adjusted. Any fractional shares resulting from such adjustments shall be disregarded.
13. The Company shall use its best efforts so that on or prior to December 31, 1997, all shares received by you on any exercise of the option shall be, and shall remain, (1) fully registered (at the Company's expense) under the Securities Act of 1933, as amended (the "1933 Act"), both for issuance and for resale, pursuant to a registration on Form S-3 under the 1933 Act or such successor procedure that provides comparable opportunity under the 1933 Act for issuance and resale; (2) fully registered or qualified (at the Company's expense), under such state securities laws as you may reasonably request, both for issuance and for resale; and (3) listed on the New York Stock Exchange.
14. Any notice by you to the Company and any notice by the Company to you shall be in writing and shall be deemed duly given if mailed to the other at the address you or the Company have last specified to the other.
15. The validity and construction of this Grant Notice shall be governed by the laws of the State of New York without reference to principles of conflict of laws.
16. "Termination for an Approved Reason" shall include, without limitation, (i) a Termination Without Cause or Constructive Termination Without Cause under Section 11(d) of the Employment Agreement; (ii) a Termination of Employment Following a Change in Control under Section 11(e) of the Employment Agreement; or (iii) a Termination for an Approved Reason under Section 11(h) of the Employment Agreement.
17. "Disability" shall have the same meaning as ascribed to it under Section 1(h) of the Employment Agreement.
18. "Retirement" shall mean the occurrence of your retirement as determined in accordance with Section 9 of the Employment Agreement.
19. During the term of your employment and for the period ending on the earlier of December 31, 2002 or the second anniversary of the termination of your employment under the Employment Agreement, if you engage in Competition, as defined in Section 1(f) of the Employment Agreement, without the written consent of an officer of the Company, you shall immediately forfeit all unexercised option shares.
20. This option is non-assignable and non-transferable, in whole or in part, other than (i) by gratuitous transfers to immediate family members, to trusts for their benefit, or to limited partnerships in which immediate family members are the sole partners, (ii) by will or under the laws of descent and distribution, or (iii), on your death, to a beneficiary designated in writing by you, with any such permitted transferee to succeed to your rights and obligations under the option to the extent of such transfer.

Exhibit (10) O.

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "First Amendment"), made as of the 21st day of January, 1997, is intended to amend a certain Employment Agreement, hereinafter the "Employment Agreement," dated as of the 11th day of February, 1994 by and between Harry L. Kavetas (the "Executive") and the Eastman Kodak Company (the "Company");

WHEREAS, Kodak maintains a welfare benefit plan, entitled the "Family Protection Program" (hereinafter "FPP"); and

WHEREAS, one of the welfare benefits provided to certain eligible participants of the FPP is a Post-Retirement Survivor Income Benefit (hereinafter "Post-Retirement SIB"); and

WHEREAS, in general, the Post-Retirement SIB provides to the eligible survivors of a participant a percentage of the participant's retirement income benefit after the participant's death; and

WHEREAS, the Employment Agreement contains certain terms and conditions regarding the Executive's eligibility for and participation in the Company's benefits plans; and

WHEREAS, the Executive and the Company desire to clarify and amend the Employment Agreement insofar as it pertains to the Executive's eligibility for and coverage under the Post-Retirement SIB; and

WHEREAS, the Executive and the Company further desire to clarify the Executive's eligibility for and coverage under the retiree welfare benefits provided by the Company; and

WHEREAS, the Executive and the Company additionally desire to clarify several other provisions of Section 8 of the Employment Agreement.

NOW, THEREFORE, based upon the mutual promises and conditions contained herein, the parties hereto do hereby agree that the Employment Agreement shall be amended as follows:

1. The Employment Agreement is amended to add the following as new subsection (e) to Section 8 entitled "Supplemental Pension":

(e) Post-Retirement Survivor Income Benefit.

(i) Notwithstanding any provision contained in this Agreement to the contrary, the Executive shall be treated as if he were an eligible participant for the Post-Retirement Survivor Income Benefit (hereinafter "Post-Retirement SIB") as set forth in the Company's Family Protection Program in effect on the date of the Agreement (the "FPP").

(ii) The benefit, if any, payable by virtue of the terms of this Section 8(e) shall, except as otherwise specifically provided in this Section 8(e), be paid as if the benefit were payable under the terms and conditions of the FPP as in effect on the date of the Agreement.

(iii) The amount of the Executive's Post-Retirement SIB coverage shall be calculated pursuant to Section 7.2 of FPP; except, however, that for purposes of Step 1, the Executive's "full accrued (not reduced for early retirement) monthly retirement income benefit under KRIP" shall be calculated by taking into account any deemed service credited to the Executive under Section 8(b), as amended.

(iv) The benefit, if any, payable by virtue of this Section 8(e) shall be paid out of the Company's general assets, not subject to offset for any benefits from a prior employer, and not funded in any manner.

2. The last sentence of subsection (a) of Section 8, entitled "Supplemental Pension," is amended in its entirety to read as follows:

For purposes of this Section 8, "supplements thereto" shall include the Kodak Excess Retirement Income Plan and the Kodak Unfunded Retirement Income Plan.

3. The last sentence of subsection (b) of Section 8, entitled "Supplemental Pension," is amended in its entirety to read as follows:

(In the event of a sixth year of employment, the Executive shall be credited with two more years of service, one year of actual service and one year of additional, deemed service, bringing the Executive's total years of service to 32.)

4. The last sentence of subsection (c) of Section 7 of the Employment Agreement is hereby deleted in its entirety.

5. The Employment Agreement is amended to add the following as new subsection (d) to Section 7 entitled "Employee Benefit Programs":

(d) Retiree Welfare Benefits.

(i) Subject to Section 7(d)(ii), for purposes of any retiree welfare benefit of the Company for which the Executive may be eligible, the Executive shall for all plan purposes be credited with any deemed service credited to him under Section 8(b).

(ii) The terms of Section 7(d)(i) shall apply with regards to a particular Company-provided retiree welfare benefit if at any time, and from time to time, during the Executive's retirement, he is not eligible for a comparable retiree welfare benefit under any plan of a prior employer. For purposes of the immediately preceding sentence, whether a retiree welfare benefit under any plan of a prior employer is comparable to a Company-provided welfare benefit shall be measured in terms of the following factors: (1) its availability to the Executive, (2) the scope and amount of its benefit coverage, and (3) its cost to the Executive. If in measuring a prior employer's retiree welfare benefit against a similar Company-provided retiree welfare benefit (determined as if Section 7(d)(i) applied), one or more of the foregoing factors is determined not to be comparable, then the retiree welfare benefits themselves shall not be considered comparable. If a prior employer of the Executive maintains a retiree welfare benefit for which the Executive is eligible, but it is determined that such retiree welfare benefit is not, under the terms of this Section 7(d)(ii), comparable to a Company-provided retiree welfare benefit, then the terms of Section 7(d)(i) shall apply irrespective of whether the Executive determines to maintain coincident coverage under the retiree welfare benefit of such prior employer.

6. The Employment Agreement is amended to add the following as new subsection (e) to Section 7 entitled "Employee Benefit Programs":

(e) Survivor Welfare Benefits.

(i) Subject to Section 7(e)(ii) below, for purposes of any survivor welfare benefit of the Company for which any spouse, child, parent, or survivor (collectively "Survivor") may be eligible under the relevant welfare benefit plan, the Executive's service with the Company shall for all plan purposes be calculated by taking into account any deemed service credited to the Executive under Section 8(b).

(ii) The terms of Section 7(e)(i) above shall apply with regards to a particular Company-provided survivor welfare benefit if at any time, and from time to time, the Survivor is not eligible for a comparable survivor welfare benefit under any plan of a prior employer. For purposes of the immediately preceding sentence, whether a survivor welfare benefit under any plan of a prior employer is comparable to a Company-provided survivor welfare benefit shall be measured in terms of the following factors: (1) its availability to the Survivor, (2) the scope and amount of its benefit coverage, and (3) its cost to the Survivor. If in measuring a prior employer's survivor welfare benefit against a similar Company-provided survivor welfare benefit (determined as of Section 7(e)(i) applied), one or more of the foregoing factors is determined not to be comparable, then the survivor welfare benefits themselves shall not be considered comparable. If a prior employer of the Executive maintains a survivor welfare benefit for which the Survivor is eligible, but it is determined that such survivor welfare benefit is not, under the terms of this Section 7(e)(ii), comparable to a Company-provided survivor welfare benefit, then the terms of Section 7(e)(i) shall apply irrespective of whether the Survivor determines to maintain coincident coverage under the survivor welfare benefit of such prior employer.

7. All of the remaining terms of the Agreement, to the extent they are not inconsistent with the terms hereof, shall remain in full force and effect, without amendment or modification.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the date and year first above written.

Eastman Kodak Company

By: (Signature)
Michael P. Morley

Title: Senior Vice President and
Director, Human Resources

(Signature)

Harry L. Kavetas

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Second Amendment" or "Amendment"), made as of the 3rd day of March, 1997, is intended to further amend a certain Employment Agreement, dated as of the 11th day of February, 1994 and amended as of January 21, 1997, by and between Harry L. Kavetas (the "Executive") and the Eastman Kodak Company (the "Company") hereinafter the "Employment Agreement."

WHEREAS, the Executive is serving as Executive Vice President and Chief Financial Officer of the Company, and

WHEREAS, the Company desires to continue the employment of the Executive as Executive Vice President and Chief Financial Officer and the Executive desires to continue such employment beyond the originally scheduled term of employment; and

WHEREAS, the Company further desires to grant the Executive an award of restricted shares of common stock pursuant to the Company's 1995 Omnibus Long-Term Compensation Plan; and

WHEREAS, the Company further desires to grant the Executive an option to purchase shares of the Company's common stock; and

WHEREAS, the Executive and the Company additionally desire to clarify several other provisions of the Employment Agreement.

NOW, THEREFORE, based upon the mutual promises and conditions contained herein, the parties hereto do hereby agree that the Employment Agreement shall be amended, except as otherwise noted, effective as of the date and year first written above as follows:

1. Section 2 entitled "Term of Employment" is amended as follows:

The date "February 10, 1999" is replaced with "February 10, 2001."

2. Effective September 9, 1994, Subsection (a) of Section 3 entitled "Position, Duties and Responsibilities" is amended to replace the word "Senior" with "Executive."

3. Subsection (b) of Section 6 entitled "Long-Term Incentive Programs" is amended to add "s" to "Award" in the sub-caption, to insert "(i)" immediately after the sub-caption and to add a new subsection 6(b)(ii) as follows:

(ii) As soon as practicable after the execution of the Second Amendment, the Company shall grant the Executive 10,000 shares of restricted stock substantially in the form attached to the Amendment as Exhibit C, such stock to be subject to forfeiture if the Executive's employment terminates pursuant to Section 11(c) or 11(e) below prior to the end of the Term of Employment.

4. Subsection (c) of Section 6 is amended to add "s" to "Award" in the sub-caption, to insert "(i)" immediately after the sub-caption and to add a new subsection (ii) as follows:

(ii) As soon as practicable after the execution of the Second Amendment, the Company shall grant the Executive a 10-year option, substantially in the form attached to this Amendment as Exhibit D, to purchase 200,000 shares of Stock (the "Option"). The exercise price of the Option shall be the closing market price for the Stock on the New York Stock Exchange on the date of grant.

5. Subsection (b) of Section 8 entitled "Supplemental Pension" is amended to read as follows:

(b) For purposes of establishing (i) the total amount of "Accrued Service" used to calculate the Executive's retirement and pre-retirement survivor income benefits under KRIP, (ii) the Executive's "Total Service" for purposes of determining the applicability of any early retirement reduction factor contained in KRIP, and (iii) the Executive's vesting service, Executive shall be credited, for each year of service earned under the terms of KRIP prior to February 11, 1999, with six years of service (one year of actual service and five years of additional, deemed service) and, for each year of service earned under the terms of KRIP on or after February 11, 1999 and prior to February 11, 2001, with four and one half years of service (one year of actual service and three and one half years of additional, deemed service). Thus, in the event the Executive remains employed by the Company throughout the Term of Employment, he shall be credited in total with thirty nine years of service (seven years of actual service and thirty two years of additional, deemed service) for the foregoing plan purposes. In the event the Executive's employment terminates pursuant to Section 11(a), 11(b) or 11(d) between February 10, 1999 and February 10, 2001, the credited service (i.e., both the actual and the deemed) for the year in which the termination occurs shall be prorated based on the number of days of employment in that year divided by 365.

6. All of the remaining terms of the Employment Agreement, to the extent they are not inconsistent with the terms hereof, shall remain in full force and effect, without amendment or modification.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the date and year first above written.

Eastman Kodak Company

By: (Signature)
Michael P. Morley

Title: Senior Vice President and
Director, Human Resources

(Signature)

Harry L. Kavetas

EXHIBIT C

NOTICE OF AWARD OF RESTRICTED STOCK

GRANTED TO HARRY L. KAVETAS

MARCH , 1997

PURSUANT TO THE

EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM

COMPENSATION PLAN

APPROVED BY:

Action of the
Executive Compensation and
Development Committee

**NOTICE OF AWARD OF RESTRICTED STOCK
GRANTED TO HARRY L. KAVETAS
MARCH, 1997 PURSUANT TO THE
EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM
COMPENSATION PLAN**

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**NOTICE OF AWARD OF RESTRICTED STOCK
GRANTED TO HARRY L. KAVETAS
EFFECTIVE MARCH , 1997
PURSUANT TO THE
EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM
COMPENSATION PLAN**

1. Background. Under Article 10 of the 1995 Omnibus Long-Term Compensation Plan (the "Plan"), the Committee may, among other things, award restricted shares of the Company's Common Stock to those Key Employees as the Committee in its discretion may determine, subject to such terms, conditions and restrictions as it deems appropriate.

2. Award. Effective March , 1997, (the "Grant Date"), the Committee granted, to Harry L. Kavetas (the "Participant") an Award of ten thousand (10,000) restricted shares of Common Stock ("Restricted Shares"). This Award is granted under the Plan, subject to the terms and conditions of the Plan and those set forth in this Notice of Award of Restricted Stock ("Award Notice").

3. Terms and Conditions of Restricted Shares. The following terms and conditions shall apply to the Restricted Shares:

(a) Issuance. The Restricted Shares awarded hereunder to the Participant shall be promptly issued and a certificate(s) for such shares shall be issued in the Participant's name. The Participant shall thereupon be a shareowner of all the shares represented by the certificate(s). As such, the Participant shall have all the rights of a shareowner with respect to such shares, including but not limited to, the right to vote such shares and to receive all dividends and other distributions (subject to Section 3(b)) paid with respect to them, provided, however, that the shares shall be subject to the restrictions in

Section 3(d). The stock certificates representing the Restricted Shares shall be imprinted with a legend stating that the shares represented thereby are restricted shares subject to the terms and conditions of this Award Notice and, as such, may not be sold, exchanged, transferred, assigned, pledged, hypothecated, or otherwise disposed of except in accordance with this Award Notice. Each transfer agent for the Common Stock shall be instructed to like effect in respect of such shares. In aid of such restrictions, the Participant shall immediately upon receipt of the certificate(s) therefor, deposit such certificate(s) together with a stock power or other like instrument of transfer, appropriately endorsed in blank, with the Company.

(b) Stock Splits, Dividends, etc. If under Section 6.2 of the Plan, entitled "Adjustment to Shares," the Participant, as the owner of the Restricted Shares, shall be entitled to new, additional, or different shares of stock or securities, the certificate or certificates for, or other evidences of, such new, additional, or different shares or securities, together with a stock power or other instrument of transfer appropriately endorsed in blank, shall be imprinted with a legend as provided in Section 3(a) above, deposited by the Participant with the Company as provided for therein, and subject to the restrictions provided for in Section 3(d) below.

(c) Restriction Period. The "Restriction Period" for the Restricted Shares shall begin on the Grant Date and terminate, subject to Section 4 below, on February 10, 2001.

(d) Restrictions on Restricted Shares. The restrictions to which the Restricted Shares are subject are:

(i) Nonalienation. During the Restriction Period, the Restricted Shares shall not be sold, exchanged, transferred, assigned, pledged, hypothecated, or otherwise disposed of except by will or the laws of descent and distribution. Any attempt by the Participant to dispose of a Restricted Share in any such manner shall result in the immediate forfeiture of such share and any other Restricted Shares then held by the Company on the Participant's behalf.

(ii) Continuous Employment. Except as set forth in Section 4 below, if the Participant's employment is terminated for any reason, whether voluntarily or involuntarily, before the Restriction Period ends, he shall immediately forfeit all of the Restricted Shares.

(e) Lapse of Restrictions. The restrictions set forth in Section 3(d) above, with respect to the Restricted Shares held by the Company on behalf of the Participant, will, unless the Restricted Shares are forfeited sooner, lapse upon the earlier of:

(i) expiration of the Restriction Period; or

(ii) the termination of the Participant's employment due to Illness or under Section 11(a), 11(b), or 11(d) of his Employment Agreement with the Company dated February 11, 1994, as amended through March 1, 1997 (the "Employment Agreement").

4. Termination of Employment. Subject to Section 3(e) above, if the Participant's employment terminates pursuant to Section 11(c) or 11(e) of the Employment Agreement at any time before the Restriction Period ends, the Participant shall immediately forfeit all of the Restricted Shares then held on his behalf by the Company.

5. Issuance of Shares of Common Stock. Upon the lapse of the Restriction Period, the Company shall, unless the Restricted Shares are sooner forfeited, promptly deliver to the Participant a stock certificate, free of any restrictions including those set forth in Section 3(d) above. Subject to any shares that are withheld pursuant to Section 6 below, the certificate shall be for that number of shares of Common Stock which, by virtue of the lapse of such Restriction Period, are no longer subject to the restrictions set forth in Section 3(d).

6. Withholding. The Company shall deduct from the Restricted Shares the amount of all applicable income and employment taxes required to be withheld unless the Participant makes other arrangements with the Company for the timely payment of such taxes.

7. Definitions.

(a) Any defined term used in this Award Notice, other than that set forth in Section 7(b) below, shall have the same meaning for purposes of this document as that ascribed to it under the terms of the Plan.

(b) The following definition shall apply to this Award Notice:

(i) Illness. A termination of employment will be for "Illness" if the Participant voluntarily terminates his employment following a continuous period of at least 90 days during

which the Participant is unable to perform the regularly assigned duties and responsibilities of his position with the Company due to illness, disease or injury and the condition is verified by such examinations and/or tests, performed by a mutually agreeable doctor; provided, however, that the Company may, if it reasonably so determines, request additional examinations and/or tests by mutually agreeable doctor(s).

8. **Effect of Award Notice.** This Award Notice, including its reference to the Plan, constitutes the entire understanding between the Company and the Participant concerning the Award and supersedes any prior notices, letters, statements or other documents issued by the Company relating to the Award and all prior agreements and understandings between the Company and the Participant, whether written or oral, concerning the Award.

9. **Administration.** The Committee shall have full and absolute authority and discretion, subject to the provisions of the Plan, to interpret, construe and implement this Award Notice, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary, appropriate or advisable for its administration. All such Committee determinations shall be final, conclusive and binding upon any and all interested parties and their heirs, successors, and personal representatives.

10. **Impact on Benefits.** The Restricted Shares (either at the date of their grant or at the time their restrictions lapse) shall not be includible as compensation or earnings for purposes of any other compensation or benefit plan offered by the Company.

11. **Miscellaneous.**

(a) **Headings.** The headings of the Sections of the Award Notice have been prepared for convenience and reference only and shall not control, affect the meaning, or be taken as the interpretation of any provision of the Award Notice.

(b) **Applicable Law.** The Award Notice, including its reference to the Plan, and its interpretation and application, will be governed and controlled by the laws of the State of New York, except as superseded by applicable Federal Law.

(c) **Amendment.** The Committee may, from time to time, amend this Award Notice in any manner; provided, however, that any such amendment which is adverse to the Participant shall require the Participant's consent.

EXHIBIT D

NOTICE OF AWARD OF NON-QUALIFIED STOCK OPTIONS (1)

GRANTED TO HARRY L. KAVETAS

EFFECTIVE MARCH , 1997

PURSUANT TO THE

EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM

COMPENSATION PLAN (2)

APPROVED BY:

Action of the
Executive Compensation and
Development Committee

(1) Actual size of the grant of nonqualified stock option shall be reduced by the number of shares that shall be granted concurrently under a stock option intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code. Such option grant shall be in substantially the same form as this grant except to the extent necessary to constitute an incentive stock option under Section 422.

(2) Recognizing that the maximum number of options that may be granted to a single participant under the 1995 Omnibus Plan in given year is 200,000, some of the options will have to be granted under the terms of the 1997 Stock Option Plan. Given this, the 1997 Stock Option Plan will have to be amended by the Compensation Committee to increase the number of available shares. Any options granted under the 1997 Stock Option Plan will be granted in substantially the same form as this grant.

**NOTICE OF AWARD OF NON-QUALIFIED STOCK OPTIONS
GRANTED TO HARRY L. KAVETAS
EFFECTIVE MARCH , 1997
PURSUANT TO THE
EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM
COMPENSATION PLAN**

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**NOTICE OF AWARD OF NON-QUALIFIED STOCK OPTIONS
GRANTED TO HARRY L. KAVETAS
EFFECTIVE MARCH , 1997
PURSUANT TO THE
EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM
COMPENSATION PLAN**

1. Background. Under Article 8 of the 1995 Omnibus Long-Term Compensation Plan (the "Plan"), the Committee may, among other things, award non-qualified stock options of the Company's Common Stock to those Key Employees as the Committee in its discretion may determine, subject to such terms, conditions and restrictions as it deems appropriate.

2. Award. Effective March , 1997, (the "Grant Date"), the Committee granted to Harry L. Kavetas (the "Participant") an award of two hundred thousand (200,000) non-qualified stock options (the "Award"). One option provides for the ability to purchase a single share of Common Stock. The Award is granted under the Plan, subject to the terms and conditions of the Plan and those set forth in this Notice of Award of Non-Qualified Stock Options ("Award Notice").

3. Terms and Conditions of Award. The following terms and conditions shall apply to the Award:

(a) Option Price. The option price for the options evidenced by way of this Award Notice shall be \$.

(b) Duration of Option. Subject to Section 3(i) below, each option shall expire at the close of business on the tenth anniversary of the Grant Date, unless sooner terminated or forfeited in accordance with the terms and conditions of this Award Notice or the Plan.

(c) Vesting. No option shall be exercisable prior to the date on which it vests. Twenty five percent (25%) of the options shall vest, on a cumulative basis, on each of the first 4 anniversaries of the Grant Date. Once vested, the options may be exercised by written notice to the Committee stating the number of options to be exercised.

(d) Payment of Option Price. The option price for the share for which an option is exercised by the Participant shall be paid by the Participant on the date the option is exercised in cash, in shares of Common Stock owned by the Participant, or a combination of the foregoing. Any share of Common Stock delivered in payment of the option price shall be valued at its Fair Market Value on the date of exercise.

(e) Withholding. The Participant shall pay the amount of taxes required to be withheld upon exercise of his options by delivering a check made payable to the Company.

(f) Rights as a Shareholder. The Participant shall not have any of the rights of a shareholder with respect to the shares of Common Stock covered by an option except to the extent one or more certificates for such shares shall be delivered to him upon the exercise of such option.

(g) Broker Assisted Exercise. Notwithstanding Sections 3(d) and 3(e) above, the Participant may, subject to Section 5(a) hereof, exercise any option granted to him under this Award Notice by way of the Company's broker-assisted stock option exercise program, to the extent such program is available at the time of such exercise. Pursuant to the terms of such program, the amount of any taxes required to be withheld upon exercise of any options must be paid in cash directly to the Company.

(h) Termination of Employment. If the Participant's employment terminates due to death, Disability, Illness, Retirement after February 11, 2001 or termination for an Approved Reason, the options shall immediately become exercisable and vested in full and shall continue to be exercisable until their scheduled expiration date under Section 3(b) above or, if sooner, their exercise in full. If the Participant's employment terminates for any reason other than due to death, Disability, Illness, Retirement after February 11, 2001 or termination for an Approved Reason, any options which are vested at the time of the Participant's termination shall not be exercisable beyond the 60th day following the date of the Participant's termination of employment and any options not vested at the time of the Participant's termination shall be immediately forfeited.

(i) Exercise Upon Expiration.

(i) Notwithstanding Section 3(b) hereof to the contrary, if on the options' scheduled expiration date (A) any options remain unexercised and (B) the Fair Market Value of a share of Common Stock exceeds the option price, then the provisions of Section 3(i)(ii) below shall apply.

(ii) The Participant may exercise any of his unexercised options as of the date they are scheduled to expire, unless already forfeited under the terms and conditions of this Award Notice or the Plan, by providing written notice thereof to the Committee within sixty (60) days after such scheduled expiration date. In such event, such options shall, for purposes of this Award Notice and the Plan, be treated as exercised prior to the close of business on their scheduled expiration date; provided, however, the Participant shall not be the record owner of the shares acquired upon exercise of such options until the one or more certificates for the shares have been delivered to the Participant. The strike price of any options issued pursuant to the provisions of this Section 3(i) shall be the mean between the high and low at which the Common Stock trades on the New York Stock Exchange on the options' scheduled expiration date, or, if such day is not a trading day, the immediately preceding trading day.

(iii) Notwithstanding Section 3(g) above to the contrary, any options exercised pursuant to this Section 3(i) shall not, without the Committee's prior approval, be exercised by way of the Company's broker-assisted stock option program.

4. Definitions.

(a) Any defined term used in this Award Notice, other than those set forth in Section 4(b) below, shall have the same meaning for purposes of this document as that ascribed to it under the terms of the Plan.

(b) The following definitions shall apply to this Award Notice:

(i) Fair Market Value. The opening price of the Common Stock on the New York Stock Exchange on the relevant date; provided, however, if the Common Stock is not traded on the relevant date, then the opening price on the immediately preceding date on which the Common Stock is traded shall be used.

(ii) Retirement. The term "Retirement" shall mean the occurrence of the Participant's retirement as determined in accordance with Section 8 of the Employment Agreement between the Participant and the Company dated February 11, 1994, as amended through March 1, 1997 (the "Employment Agreement").

(iii) Illness. A termination of employment will be for "Illness" if the Participant voluntarily terminates his employment following a continuous period of at least 90 days during which the Participant is unable to perform the regularly assigned duties and responsibilities of his position with the Company due to illness, disease or injury and the condition is verified by such examinations and/or tests, performed by a mutually agreeable doctor; provided, however, that the Company may, if it reasonably so determines, request additional examinations and/or tests by mutually agreeable doctor(s).

(iv) Approved Reason. A termination for "Approved Reason" shall include, without limitation, a Termination Without Cause or Constructive Termination without Cause under Section 11(d) of the Employment Agreement.

5. Section 16 of the Exchange Act.

(a) In order to avoid any Exchange Act violations, the Committee may, at any time and from time to time, impose additional restrictions upon the Awards, including, but not by way of limitation, restrictions regarding the Participant's ability to exercise options under the Company's broker-assisted stock option exercise program under Section 3(g).

(b) The Company shall use its best efforts so that on or prior to December 31, 1997, all shares received by the Participant on any exercise of an option shall be, and shall remain, (1) fully registered (at the Company's expense) under the Securities Act of 1933, as amended (the "1933 Act"), both for issuance and for resale, pursuant to a registration on Form S-3 under the 1933 Act or such successor procedure that provides comparable opportunity under the 1933 Act for issuance and resale; (2) fully registered or qualified (at the Company's expense), under such state securities laws as the Participant may reasonably request, both for issuance and for resale; and (3) listed on the New York Stock Exchange.

6. Non-Assignability. These options are non-assignable and non-transferable, in whole or in part, other than i) by gratuitous transfers to immediate family members, to trusts for their benefit, or to limited partnerships in which immediate family members are the sole partners, (ii) by will or under the laws of descent and distribution, or (iii), on the Participant's death, to a beneficiary designated in writing by the Participant, with any such permitted transferee to succeed to the Participant's rights and obligations under the options to the extent of such transfer.

7. Effect of Award Notice. This Award Notice, including its reference to the Plan, constitutes the entire understanding between the Company and the Participant concerning the Award and supersedes any prior notices, letters, statements or other documents issued by the Company relating to the Award and all prior agreements and understandings between the Company and the Participant, whether written or oral, concerning the Award.

8. Miscellaneous.

(a) Headings. The headings of the Sections of this Award Notice have been prepared for convenience and reference only and shall not control, affect the meaning, or be taken as the interpretation of any provision of the Award Notice.

(b) Applicable Law. This Award Notice, including its reference to the Plan, and its interpretation and application, will be governed and controlled by the laws of the State of New York, except as superseded by applicable Federal Law.

(c) Amendment. The Committee may, from time to time, amend this Award Notice in any manner; provided, however, that any such amendment which is adverse to the Participant shall require the Participant's consent.

9. Administration. The Committee shall have full and absolute authority and discretion, subject to the provisions of the Plan, to interpret, construe and implement this Award Notice, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary, appropriate or advisable for its administration. All such Committee determinations shall be final, conclusive and binding upon any and all interested parties and their heirs, successors, and personal representatives.

10. Impact on Benefits. The nonqualified stock options granted pursuant to this Award Notice (either at the date of their grant or at the time the shares are vested) shall not be includible as compensation or earnings for purposes of any compensation or benefit plan offered by the Company.

NOTICE OF AWARD OF RESTRICTED STOCK

GRANTED TO HARRY L. KAVETAS

MARCH 4, 1997

PURSUANT TO THE

EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM

COMPENSATION PLAN

APPROVED BY:

Action of the
Executive Compensation and
Development Committee

**NOTICE OF AWARD OF RESTRICTED STOCK
GRANTED TO HARRY L. KAVETAS
MARCH 4, 1997
PURSUANT TO THE
EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM
COMPENSATION PLAN**

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**NOTICE OF AWARD OF RESTRICTED STOCK
GRANTED TO HARRY L. KAVETAS
EFFECTIVE MARCH 4, 1997
PURSUANT TO THE
EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM
COMPENSATION PLAN**

1. Background. Under Article 10 of the 1995 Omnibus Long-Term Compensation Plan (the "Plan"), the Committee may, among other things, award restricted shares of the Company's Common Stock to those Key Employees as the Committee in its discretion may determine, subject to such terms, conditions and restrictions as it deems appropriate.

2. Award. Effective March 4, 1997, (the "Grant Date"), the Committee granted, to Harry L. Kavetas (the "Participant") an Award of ten thousand (10,000) restricted shares of Common Stock ("Restricted Shares"). This Award is granted under the Plan, subject to the terms and conditions of the Plan and those set forth in this Notice of Award of Restricted Stock ("Award Notice").

3. Terms and Conditions of Restricted Shares. The following terms and conditions shall apply to the Restricted Shares:

(a) Issuance. The Restricted Shares awarded hereunder to the Participant shall be promptly issued and a certificate(s) for such shares shall be issued in the Participant's name. The Participant shall thereupon be a shareowner of all the shares represented by the certificate(s). As such, the Participant shall have all the rights of a shareowner with respect to such shares, including but not limited to, the right to vote such shares and to receive all dividends and other distributions (subject to Section 3(b)) paid with respect to them, provided, however, that the shares shall be subject to the restrictions in

Section 3(d). The stock certificates representing the Restricted Shares shall be imprinted with a legend stating that the shares represented thereby are restricted shares subject to the terms and conditions of this Award Notice and, as such, may not be sold, exchanged, transferred, assigned, pledged, hypothecated, or otherwise disposed of except in accordance with this Award Notice. Each transfer agent for the Common Stock shall be instructed to like effect in respect of such shares. In aid of such restrictions, the Participant shall immediately upon receipt of the certificate(s) therefor, deposit such certificate(s) together with a stock power or other like instrument of transfer, appropriately endorsed in blank, with the Company.

(b) Stock Splits, Dividends, etc. If under Section 6.2 of the Plan, entitled "Adjustment to Shares," the Participant, as the owner of the Restricted Shares, shall be entitled to new, additional, or different shares of stock or securities, the certificate or certificates for, or other evidences of, such new, additional, or different shares or securities, together with a stock power or other instrument of transfer appropriately endorsed in blank, shall be imprinted with a legend as provided in Section 3(a) above, deposited by the Participant with the Company as provided for therein, and subject to the restrictions provided for in Section 3(d) below.

(c) Restriction Period. The "Restriction Period" for the Restricted Shares shall begin on the Grant Date and terminate, subject to Section 4 below, on February 10, 2001.

(d) Restrictions on Restricted Shares. The restrictions to which the Restricted Shares are subject are:

(i) Nonalienation. During the Restriction Period, the Restricted Shares shall not be sold, exchanged, transferred, assigned, pledged, hypothecated, or otherwise disposed of except by will or the laws of descent and distribution. Any attempt by the Participant to dispose of a Restricted Share in any such manner shall result in the immediate forfeiture of such share and any other Restricted Shares then held by the Company on the Participant's behalf.

(ii) Continuous Employment. Except as set forth in Section 4 below, if the Participant's employment is terminated for any reason, whether voluntarily or involuntarily, before the Restriction Period ends, he shall immediately forfeit all of the Restricted Shares.

(e) Lapse of Restrictions. The restrictions set forth in Section 3(d) above, with respect to the Restricted Shares held by the Company on behalf of the Participant, will, unless the Restricted Shares are forfeited sooner, lapse upon the earlier of:

(i) expiration of the Restriction Period; or

(ii) the termination of the Participant's employment due to Illness or under Section 11(a), 11(b), or 11(d) of his Employment Agreement with the Company dated February 11, 1994, as amended through March 3, 1997 (the "Employment Agreement").

4. Termination of Employment. Subject to Section 3(e) above, if the Participant's employment terminates pursuant to Section 11(c) or 11(e) of the Employment Agreement at any time before the Restriction Period ends, the Participant shall immediately forfeit all of the Restricted Shares then held on his behalf by the Company.

5. Issuance of Shares of Common Stock. Upon the lapse of the Restriction Period, the Company shall, unless the Restricted Shares are sooner forfeited, promptly deliver to the Participant a stock certificate, free of any restrictions including those set forth in Section 3(d) above. Subject to any shares that are withheld pursuant to Section 6 below, the certificate shall be for that number of shares of Common Stock which, by virtue of the lapse of such Restriction Period, are no longer subject to the restrictions set forth in Section 3(d).

6. Withholding. The Company shall deduct from the Restricted Shares the amount of all applicable income and employment taxes required to be withheld unless the Participant makes other arrangements with the Company for the timely payment of such taxes.

7. Definitions.

(a) Any defined term used in this Award Notice, other than that set forth in Section 7(b) below, shall have the same meaning for purposes of this document as that ascribed to it under the terms of the Plan.

(b) The following definition shall apply to this Award Notice:

(i) Illness. A termination of employment will be for "Illness" if the Participant voluntarily terminates his employment following a continuous period of at least 90 days during which the Participant is unable to perform the regularly assigned duties and responsibilities of his position with the Company due to illness, disease or injury and the condition is verified by such examinations and/or tests, performed by a mutually agreeable doctor; provided, however, that the Company may, if it reasonably so determines, request additional examinations and/or tests by mutually agreeable doctor(s).

8. Effect of Award Notice. This Award Notice, including its reference to the Plan, constitutes the entire understanding between the Company and the Participant concerning the Award and supersedes any prior notices, letters, statements or other documents issued by the Company relating to the Award and all prior agreements and understandings between the Company and the Participant, whether written or oral, concerning the Award.

9. Administration. The Committee shall have full and absolute authority and discretion, subject to the provisions of the Plan, to interpret, construe and implement this Award Notice, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary, appropriate or advisable for its administration. All such Committee determinations shall be final, conclusive and binding upon any and all interested parties and their heirs, successors, and personal representatives.

10. Impact on Benefits. The Restricted Shares (either at the date of their grant or at the time their restrictions lapse) shall not be includible as compensation or earnings for purposes of any other compensation or benefit plan offered by the Company.

11. Miscellaneous.

(a) Headings. The headings of the Sections of the Award Notice have been prepared for convenience and reference only and shall not control, affect the meaning, or be taken as the interpretation of any provision of the Award Notice.

(b) Applicable Law. The Award Notice, including its reference to the Plan, and its interpretation and application, will be governed and controlled by the laws of the State of New York, except as superseded by applicable Federal Law.

(c) Amendment. The Committee may, from time to time, amend this Award Notice in any manner; provided, however, that any such amendment which is adverse to the Participant shall require the Participant's consent.

NOTICE OF AWARD OF INCENTIVE STOCK OPTIONS

GRANTED TO HARRY L. KAVETAS

EFFECTIVE MARCH 4, 1997

PURSUANT TO THE

EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM

COMPENSATION PLAN

APPROVED BY:

Action of the
Executive Compensation and
Development Committee

**NOTICE OF AWARD OF INCENTIVE STOCK OPTIONS
GRANTED TO HARRY L. KAVETAS
EFFECTIVE MARCH 4, 1997
PURSUANT TO THE
EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM
COMPENSATION PLAN**

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**NOTICE OF AWARD OF INCENTIVE STOCK OPTIONS
GRANTED TO HARRY L. KAVETAS
EFFECTIVE MARCH 4, 1997
PURSUANT TO THE
EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM
COMPENSATION PLAN**

1. Background. Under Article 8 of the 1995 Omnibus Long-Term Compensation Plan (the "Plan"), the Committee may, among other things, award incentive stock options of the Company's Common Stock to those Key Employees as the Committee in its discretion may determine, subject to such terms, conditions and restrictions as it deems appropriate.

2. Award. Effective March 4, 1997, (the "Grant Date"), the Committee granted to Harry L. Kavetas (the "Participant") an award of three thousand three hundred and eighty nine (3,389) incentive stock options (the "Award"). One option provides for the ability to purchase a single share of Common Stock. The Award is granted under the Plan, subject to the terms and conditions of the Plan and those set forth in this Notice of Award of Incentive Stock Options ("Award Notice").

3. Terms and Conditions of Award. The following terms and conditions shall apply to the Award:

(a) Option Price. The option price for the options evidenced by way of this Award Notice shall be \$88.50.

(b) Duration of Option. Subject to Section 3(i) below, each option shall expire at the close of business on the tenth anniversary of the Grant Date, unless sooner terminated or forfeited in accordance with the terms and conditions of this Award Notice or the Plan.

(c) Vesting. No option shall be exercisable prior to the date on which it vests. Once vested, the options may be exercised by written notice to the Committee stating the number of options to be exercised. The options shall vest in accordance with the following schedule:

| | |
|---------------|-------|
| March 4, 1998 | 1,129 |
| March 4, 2000 | 1,130 |
| March 4, 2001 | 1,130 |

(d) Payment of Option Price. The option price for the share for which an option is exercised by the Participant shall be paid by the Participant on the date the option is exercised in cash, in shares of Common Stock owned by the Participant, or a combination of the foregoing. Any share of Common Stock delivered in payment of the option price shall be valued at its Fair Market Value on the date of exercise.

(e) Withholding. The Participant shall pay the amount of taxes required to be withheld upon exercise of his options by delivering a check made payable to the Company.

(f) Rights as a Shareholder. The Participant shall not have any of the rights of a shareholder with respect to the shares of Common Stock covered by an option except to the extent one or more certificates for such shares shall be delivered to him upon the exercise of such option.

(g) Termination of Employment. If the Participant's employment terminates due to death, Disability, Illness, Retirement after February 11, 2001 or termination for an Approved Reason, the options shall immediately become exercisable and vested in full

and shall continue to be exercisable until their scheduled expiration date under Section 3(b) above or, if sooner, their exercise in full. If the Participant's employment terminates for any reason other than due to death, Disability, Illness, Retirement after February 11, 2001 or termination for an Approved Reason, any options which are vested at the time of the Participant's termination shall not be exercisable beyond the 60th day following the date of the Participant's termination of employment and any options not vested at the time of the Participant's termination shall be immediately forfeited.

(h) Exercise Upon Expiration.

(i) Notwithstanding Section 3(b) hereof to the contrary, if on the options' scheduled expiration date (A) any options remain unexercised and (B) the Fair Market Value of a share of Common Stock exceeds the option price, then the provisions of Section 3(h)(ii) below shall apply.

(ii) The Participant may exercise any of his unexercised options as of the date they are scheduled to expire, unless already forfeited under the terms and conditions of this Award Notice or the Plan, by providing written notice thereof to the Committee within sixty (60) days after such scheduled expiration date. In such event, such options shall, for purposes of this Award Notice and the Plan, be treated as exercised prior to the close of business on their scheduled expiration date; provided, however, the Participant shall not be the record owner of the shares acquired upon exercise of such options until the one or more certificates for the shares have been delivered to the Participant. The strike price of any options issued pursuant to the provisions of this Section 3(h) shall be the mean between the high and low at which the Common Stock trades on the New York Stock Exchange on the options' scheduled expiration date, or, if such day is not a trading day, the immediately preceding trading day.

4. Definitions.

(a) Any defined term used in this Award Notice, other than those set forth in Section 4(b) below, shall have the same meaning for purposes of this document as that ascribed to it under the terms of the Plan.

(b) The following definitions shall apply to this Award Notice:

(i) Fair Market Value. The opening price of the Common Stock on the New York Stock Exchange on the relevant date; provided, however, if the Common Stock is not traded on the relevant date, then the opening price on the immediately preceding date on which the Common Stock is traded shall be used.

(ii) Retirement. The term "Retirement" shall mean the occurrence of the Participant's retirement as determined in accordance with Section 8 of the Employment Agreement between the Participant and the Company dated February 11, 1994, as amended through March 3, 1997 (the "Employment Agreement").

(iii) Illness. A termination of employment will be for "Illness" if the Participant voluntarily terminates his employment following a continuous period of at least 90 days during which the Participant is unable to perform the regularly assigned duties and responsibilities of his position with the Company due to illness, disease or injury and the condition is verified by such examinations and/or tests, performed by a mutually agreeable doctor; provided, however, that the Company may, if it reasonably so determines, request additional examinations and/or tests by mutually agreeable doctor(s).

(iv) Approved Reason. A termination for "Approved Reason" shall include, without limitation, a Termination Without Cause or Constructive Termination without Cause under Section 11(d) of the Employment Agreement.

5. Section 16 of the Exchange Act.

(a) In order to avoid any Exchange Act violations, the Committee may, at any time and from time to time, impose additional restrictions upon the Awards.

(b) The Company shall use its best efforts so that on or prior to December 31, 1997, all shares received by the Participant on any exercise of an option shall be, and shall remain, (1) fully registered (at the Company's expense) under the Securities Act of 1933, as amended (the "1933 Act"), both for issuance and for resale, pursuant to a registration on Form S-3 under the 1933 Act or such successor procedure that provides comparable opportunity under the 1933 Act for issuance and resale; (2) fully registered or qualified (at the Company's expense), under such state securities laws as the Participant may reasonably request, both for issuance and for resale; and (3) listed on the New York Stock Exchange.

6. Non-Assignability. These options are non-assignable and non-transferable, in whole or in part, other than by will or under the laws of descent and distribution.

7. Effect of Award Notice. This Award Notice, including its reference to the Plan, constitutes the entire understanding between the Company and the Participant concerning the Award and supersedes any prior notices, letters, statements or other documents issued by the Company relating to the Award and all prior agreements and understandings between the Company and the Participant, whether written or oral, concerning the Award.

8. Miscellaneous.

(a) Headings. The headings of the Sections of this Award Notice have been prepared for convenience and reference only and shall not control, affect the meaning, or be taken as the interpretation of any provision of the Award Notice.

(b) Applicable Law. This Award Notice, including its reference to the Plan, and its interpretation and application, will be governed and controlled by the laws of the State of New York, except as superseded by applicable Federal Law.

(c) Amendment. The Committee may, from time to time, amend this Award Notice in any manner; provided, however, that any such amendment which is adverse to the Participant shall require the Participant's consent.

(d) Section 422 of the IRC. The options granted under this Award Notice are incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986. To the extent any provision in this Award Notice is determined to be inconsistent or contrary to Section 422, such provision shall automatically without any further action be changed, effective as of the date of the option's grant, so as to be consistent and in compliance with such section.

9. Administration. The Committee shall have full and absolute authority and discretion, subject to the provisions of the Plan, to interpret, construe and implement this Award Notice, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary, appropriate or advisable for its administration. All such Committee determinations shall be final, conclusive and binding upon any and all interested parties and their heirs, successors, and personal representatives.

10. Impact on Benefits. The incentive stock options granted pursuant to this Award Notice (either at the date of their grant or at the time the shares are vested) shall not be includible as compensation or earnings for purposes of any compensation or benefit plan offered by the Company.

NOTICE OF AWARD OF NON-QUALIFIED STOCK OPTIONS

GRANTED TO HARRY L. KAVETAS

EFFECTIVE MARCH 4, 1997

PURSUANT TO THE

EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM

COMPENSATION PLAN

APPROVED BY:

Action of the
Executive Compensation and
Development Committee

**NOTICE OF AWARD OF NON-QUALIFIED STOCK OPTIONS
GRANTED TO HARRY L. KAVETAS
EFFECTIVE MARCH 4, 1997
PURSUANT TO THE
EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM
COMPENSATION PLAN**

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**NOTICE OF AWARD OF NON-QUALIFIED STOCK OPTIONS
GRANTED TO HARRY L. KAVETAS
EFFECTIVE MARCH 4, 1997
PURSUANT TO THE
EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM
COMPENSATION PLAN**

1. Background. Under Article 8 of the 1995 Omnibus Long-Term Compensation Plan (the "Plan"), the Committee may, among other things, award non-qualified stock options of the Company's Common Stock to those Key Employees as the Committee in its discretion may determine, subject to such terms, conditions and restrictions as it deems appropriate.

2. Award. Effective March 4, 1997, (the "Grant Date"), the Committee granted to Harry L. Kavetas (the "Participant") an award of one hundred fifty five thousand (155,000) non-qualified stock options (the "Award"). One option provides for the ability to purchase a single share of Common Stock. The Award is granted under the Plan, subject to the terms and conditions of the Plan and those set forth in this Notice of Award of Non-Qualified Stock Options ("Award Notice").

3. Terms and Conditions of Award. The following terms and conditions shall apply to the Award:

(a) Option Price. The option price for the options evidenced by way of this Award Notice shall be \$88.50.

(b) Duration of Option. Subject to Section 3(i) below, each option shall expire at the close of business on the tenth anniversary of the Grant Date, unless sooner terminated or forfeited in accordance with the terms and conditions of this Award Notice or the Plan.

(c) Vesting. No option shall be exercisable prior to the date on which it vests. Once vested, the options may be exercised by written notice to the Committee stating the number of options to be exercised. The options shall vest in accordance with the following schedule:

| | |
|---------------|--------|
| March 4, 1998 | 38,469 |
| March 4, 1999 | 39,597 |
| March 4, 2000 | 38,467 |
| March 4, 2001 | 38,467 |

(d) Payment of Option Price. The option price for the share for which an option is exercised by the Participant shall be paid by the Participant on the date the option is exercised in cash, in shares of Common Stock owned by the Participant, or a combination of the foregoing. Any share of Common Stock delivered in payment of the option price shall be valued at its Fair Market Value on the date of exercise.

(e) Withholding. The Participant shall pay the amount of taxes required to be withheld upon exercise of his options by delivering a check made payable to the Company.

(f) Rights as a Shareholder. The Participant shall not have any of the rights of a shareholder with respect to the shares of Common Stock covered by an option except to the extent one or more certificates for such shares shall be delivered to him upon the exercise of such option.

(g) Broker Assisted Exercise. Notwithstanding Sections 3(d) and 3(e) above, the Participant may, subject to Section 5(a) hereof, exercise any option granted to him under this Award Notice by way of the Company's broker-assisted stock option exercise program, to the extent such program is available at the time of such exercise. Pursuant to the terms of such program, the amount of any taxes required to be withheld upon exercise of any options must be paid in cash directly to the Company.

(h) Termination of Employment. If the Participant's employment terminates due to death, Disability, Illness, Retirement after February 11, 2001 or termination for an Approved Reason, the options shall immediately become exercisable and vested in full and shall continue to be exercisable until their scheduled expiration date under Section 3(b) above or, if sooner, their exercise in full. If the Participant's employment terminates for any reason other than due to death, Disability, Illness, Retirement after February 11, 2001 or termination for an Approved Reason, any options which are vested at the time of the Participant's termination shall not be exercisable beyond the 60th day following the date of the Participant's termination of employment and any options not vested at the time of the Participant's termination shall be immediately forfeited.

(i) Exercise Upon Expiration.

(i) Notwithstanding Section 3(b) hereof to the contrary, if on the options' scheduled expiration date (A) any options remain unexercised and (B) the Fair Market Value of a share of Common Stock exceeds the option price, then the provisions of Section 3(i)(ii) below shall apply.

(ii) The Participant may exercise any of his unexercised options as of the date they are scheduled to expire, unless already forfeited under the terms and conditions of this Award Notice or the Plan, by providing written notice thereof to the Committee within sixty (60) days after such scheduled expiration date. In such event, such options shall, for purposes of this Award Notice and the Plan, be treated as exercised prior to the close of business on their scheduled expiration date; provided, however, the Participant shall not be the record owner of the shares acquired upon exercise of such options until the one or more certificates for the shares have been delivered to the Participant. The strike price of any options issued pursuant to the provisions of this Section 3(i) shall be the mean between the high and low at which the Common Stock trades on the New York Stock Exchange on the options' scheduled expiration date, or, if such day is not a trading day, the immediately preceding trading day.

(iii) Notwithstanding Section 3(g) above to the contrary, any options exercised pursuant to this Section 3(i) shall not, without the Committee's prior approval, be exercised by way of the Company's broker-assisted stock option program.

4. Definitions.

(a) Any defined term used in this Award Notice, other than those set forth in Section 4(b) below, shall have the same meaning for purposes of this document as that ascribed to it under the terms of the Plan.

(b) The following definitions shall apply to this Award Notice:

(i) Fair Market Value. The opening price of the Common Stock on the New York Stock Exchange on the relevant date; provided, however, if the Common Stock is not traded on the relevant date, then the opening price on the immediately preceding date on which the Common Stock is traded shall be used.

(ii) Retirement. The term "Retirement" shall mean the occurrence of the Participant's retirement as determined in accordance with Section 8 of the Employment Agreement between the Participant and the Company dated February 11, 1994, as amended through March 3, 1997 (the "Employment Agreement").

(iii) Illness. A termination of employment will be for "Illness" if the Participant voluntarily terminates his employment following a continuous period of at least 90 days during which the Participant is unable to perform the regularly assigned duties and responsibilities of his position with the Company due to illness, disease or injury and the condition is verified by such examinations and/or tests, performed by a mutually agreeable doctor; provided, however, that the Company may, if it reasonably so determines, request additional examinations and/or tests by mutually agreeable doctor(s).

(iv) Approved Reason. A termination for "Approved Reason" shall include, without limitation, a Termination Without Cause or Constructive Termination without Cause under Section 11(d) of the Employment Agreement.

5. Section 16 of the Exchange Act.

(a) In order to avoid any Exchange Act violations, the Committee may, at any time and from time to time, impose additional restrictions upon the Awards, including, but not by way of limitation, restrictions regarding the Participant's ability to exercise options under the Company's broker-assisted stock option exercise program under Section 3(g).

(b) The Company shall use its best efforts so that on or prior to December 31, 1997, all shares received by the Participant on any exercise of an option shall be, and shall remain, (1) fully registered (at the Company's expense) under the Securities Act of 1933, as amended (the "1933 Act"), both for issuance and for resale, pursuant to a registration on Form S-3 under the 1933 Act or such successor procedure that provides comparable opportunity under the 1933 Act for issuance and resale; (2) fully registered or qualified (at the Company's expense), under such state securities laws as the Participant may reasonably request, both for issuance and for resale; and (3) listed on the New York Stock Exchange.

6. Non-Assignability. These options are non-assignable and non-transferable, in whole or in part, other than (i) by gratuitous transfers to immediate family members, to trusts for their benefit, or to limited partnerships in which immediate family members are the sole partners, (ii) by will or under the laws of descent and distribution, or (iii), on the Participant's death, to a beneficiary designated in writing by the Participant, with any such permitted transferee to succeed to the Participant's rights and obligations under the options to the extent of such transfer.

7. Effect of Award Notice. This Award Notice, including its reference to the Plan, constitutes the entire understanding between the Company and the Participant concerning the Award and supersedes any prior notices, letters, statements or other documents issued by the Company relating to the Award and all prior agreements and understandings between the Company and the Participant, whether written or oral, concerning the Award.

8. Miscellaneous.

(a) Headings. The headings of the Sections of this Award Notice have been prepared for convenience and reference only and shall not control, affect the meaning, or be taken as the interpretation of any provision of the Award Notice.

(b) Applicable Law. This Award Notice, including its reference to the Plan, and its interpretation and application, will be governed and controlled by the laws of the State of New York, except as superseded by applicable Federal Law.

(c) Amendment. The Committee may, from time to time, amend this Award Notice in any manner; provided, however, that any such amendment which is adverse to the Participant shall require the Participant's consent.

9. Administration. The Committee shall have full and absolute authority and discretion, subject to the provisions of the Plan, to interpret, construe and implement this Award Notice, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary, appropriate or advisable for its administration. All such Committee determinations shall be final, conclusive and binding upon any and all interested parties and their heirs, successors, and personal representatives.

10. Impact on Benefits. The nonqualified stock options granted pursuant to this Award Notice (either at the date of their grant or at the time the shares are vested) shall not be includible as compensation or earnings for purposes of any compensation or benefit plan offered by the Company.

NOTICE OF AWARD OF NON-QUALIFIED STOCK OPTIONS

GRANTED TO HARRY L. KAVETAS

EFFECTIVE MARCH 4, 1997

PURSUANT TO THE

EASTMAN KODAK COMPANY 1997 STOCK OPTION PLAN

APPROVED BY:

Action of the
Executive Compensation and
Development Committee

**NOTICE OF AWARD OF NON-QUALIFIED STOCK OPTIONS
GRANTED TO HARRY L. KAVETAS
EFFECTIVE MARCH 4, 1997
PURSUANT TO THE
EASTMAN KODAK COMPANY 1997 STOCK OPTION PLAN**

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**NOTICE OF AWARD OF NON-QUALIFIED STOCK OPTIONS
GRANTED TO HARRY L. KAVETAS
EFFECTIVE MARCH 4, 1997
PURSUANT TO THE
EASTMAN KODAK COMPANY 1997 STOCK OPTION PLAN**

1. Background. Under Article 7 of the 1997 Stock Option Plan (the "Plan"), the Committee may, among other things, award non-qualified stock options of Kodak Common Stock to those Key Employees as the Committee in its discretion may determine, subject to such terms, conditions and restrictions as it deems appropriate.

2. Award. Effective March 4, 1997, (the "Grant Date"), the Committee granted to Harry L. Kavetas (the "Participant") an award of forty one thousand six hundred and eleven (41,611) non-qualified stock options (the "Award"). One option provides for the ability to purchase a single share of Common Stock. The Award is granted under the Plan, subject to the terms and conditions of the Plan and those set forth in this Notice of Award of Non-Qualified Stock Options ("Award Notice").

3. Terms and Conditions of Award. The following terms and conditions shall apply to the Award:

(a) Option Price. The option price for the options evidenced by way of this Award Notice shall be \$88.50.

(b) Duration of Option. Subject to Section 3(i) below, each option shall expire at the close of business on the tenth anniversary of the Grant Date, unless sooner terminated or forfeited in accordance with the terms and conditions of this Award Notice or the Plan.

(c) Vesting. No option shall be exercisable prior to the date on which it vests. Once vested, the options may be exercised by written notice to the Committee stating the number of options to be exercised. The options shall vest in accordance with the following schedule:

| | |
|---------------|--------|
| March 4, 1998 | 10,402 |
| March 4, 1999 | 10,403 |
| March 4, 2000 | 10,403 |
| March 4, 2001 | 10,403 |

(d) Payment of Option Price. The option price for the share for which an option is exercised by the Participant shall be paid by the Participant on the date the option is exercised in cash, in shares of Common Stock owned by the Participant, or a combination of the foregoing. Any share of Common Stock delivered in payment of the option price shall be valued at its Fair Market Value on the date of exercise.

(e) Withholding. The Participant shall pay the amount of taxes required to be withheld upon exercise of his options by delivering a check made payable to Kodak.

(f) Rights as a Shareholder. The Participant shall not have any of the rights of a shareholder with respect to the shares of Common Stock covered by an option except to the extent one or more certificates for such shares shall be delivered to him upon the exercise of such option.

(g) Broker Assisted Exercise. Notwithstanding Sections 3(d) and 3(e) above, the Participant may, subject to Section 5(a) hereof, exercise any option granted to him under this Award Notice by way of Kodak's broker-assisted stock option exercise program, to the extent such program is available at the time of such exercise. Pursuant to the terms of such program, the amount of any taxes required to be withheld upon exercise of any options must be paid in cash directly to Kodak.

(h) Termination of Employment. If the Participant's employment terminates due to death, Disability, Illness, Retirement after February 11, 2001 or termination for an Approved Reason, the options shall immediately become exercisable and vested in full and shall continue to be exercisable until their scheduled expiration date under Section 3(b) above or, if sooner, their exercise in full. If the Participant's employment terminates for any reason other than due to death, Disability, Illness, Retirement after February 11, 2001 or termination for an Approved Reason, any options which are vested at the time of the Participant's termination shall not be exercisable beyond the 60th day following the date of the Participant's termination of employment and any options not vested at the time of the Participant's termination shall be immediately forfeited.

(i) Exercise Upon Expiration.

(i) Notwithstanding Section 3(b) hereof to the contrary, if on the options' scheduled expiration date (A) any options remain unexercised and (B) the Fair Market Value of a share of Common Stock exceeds the option price, then the provisions of Section 3(i)(ii) below shall apply.

(ii) The Participant may exercise any of his unexercised options as of the date they are scheduled to expire, unless already forfeited under the terms and conditions of this Award Notice or the Plan, by providing written notice thereof to the Committee within sixty (60) days after such scheduled expiration date. In such event, such options shall, for purposes of this Award Notice and the Plan, be treated as exercised prior to the close of business on their scheduled expiration date; provided, however, the Participant shall not be the record owner of the shares acquired upon exercise of such options until the one or more certificates for the shares have been delivered to the Participant. The strike price of any options issued pursuant to the provisions of this Section 3(i) shall be the mean between the high and low at which the Common Stock trades on the New York Stock Exchange on the options' scheduled expiration date, or, if such day is not a trading day, the immediately preceding trading day.

(iii) Notwithstanding Section 3(g) above to the contrary, any options exercised pursuant to this Section 3(i) shall not, without the Committee's prior approval, be exercised by way of Kodak's broker-assisted stock option program.

4. Definitions.

(a) Any defined term used in this Award Notice, other than those set forth in Section 4(b) below, shall have the same meaning for purposes of this document as that ascribed to it under the terms of the Plan.

(b) The following definitions shall apply to this Award Notice:

(i) Fair Market Value. The opening price of the Common Stock on the New York Stock Exchange on the relevant date; provided, however, if the Common Stock is not traded on the relevant date, then the opening price on the immediately preceding date on which the Common Stock is traded shall be used.

(ii) Retirement. The term "Retirement" shall mean the occurrence of the Participant's retirement as determined in accordance with Section 8 of the Employment Agreement between the Participant and Kodak dated February 11, 1994, as amended through March 3, 1997 (the "Employment Agreement").

(iii) Illness. A termination of employment will be for "Illness" if the Participant voluntarily terminates his employment following a continuous period of at least 90 days during which the Participant is unable to perform the regularly assigned duties and responsibilities of his position with Kodak due to illness, disease or injury and the condition is verified by such examinations and/or tests, performed by a mutually agreeable doctor; provided, however, that Kodak may, if it reasonably so determines, request additional examinations and/or tests by mutually agreeable doctor(s).

(iv) Approved Reason. A termination for "Approved Reason" shall include, without limitation, a Termination Without Cause or Constructive Termination without Cause under Section 11(d) of the Employment Agreement.

5. Section 16 of the Exchange Act.

(a) In order to avoid any Exchange Act violations, the Committee may, at any time and from time to time, impose additional restrictions upon the Awards, including, but not by way of limitation, restrictions regarding the Participant's ability to exercise options under Kodak's broker-assisted stock option exercise program under Section 3(g).

(b) Kodak shall use its best efforts so that on or prior to December 31, 1997, all shares received by the Participant on any exercise of an option shall be, and shall remain, (1) fully registered (at Kodak's expense) under the Securities Act of 1933, as amended (the "1933 Act"), both for issuance and for resale, pursuant to a registration on Form S-3 under the 1933 Act or such successor procedure that provides comparable opportunity under the 1933 Act for issuance and resale; (2) fully registered or qualified (at Kodak's expense), under such state securities laws as the Participant may reasonably request, both for issuance and for resale; and (3) listed on the New York Stock Exchange.

6. Non-Assignability. These options are non-assignable and non-transferable, in whole or in part, other than (i) by gratuitous transfers to immediate family members, to trusts for their benefit, or to limited partnerships in which immediate family members are the sole partners, (ii) by will or under the laws of descent and distribution, or (iii), on the Participant's death, to a beneficiary designated in writing by the Participant, with any such permitted transferee to succeed to the Participant's rights and obligations under the options to the extent of such transfer.

7. Effect of Award Notice. This Award Notice, including its reference to the Plan, constitutes the entire understanding between Kodak and the Participant concerning the Award and supersedes any prior notices, letters, statements or other documents issued by Kodak relating to the Award and all prior agreements and understandings between Kodak and the Participant, whether written or oral, concerning the Award.

8. Miscellaneous.

(a) Headings. The headings of the Sections of this Award Notice have been prepared for convenience and reference only and shall not control, affect the meaning, or be taken as the interpretation of any provision of the Award Notice.

(b) Applicable Law. This Award Notice, including its reference to the Plan, and its interpretation and application, will be governed and controlled by the laws of the State of New York, except as superseded by applicable Federal Law.

(c) Amendment. The Committee may, from time to time, amend this Award Notice in any manner; provided, however, that any such amendment which is adverse to the Participant shall require the Participant's consent.

9. Administration. The Committee shall have full and absolute authority and discretion, subject to the provisions of the Plan, to interpret, construe and implement this Award Notice, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary, appropriate or advisable for its administration. All such Committee determinations shall be final, conclusive and binding upon any and all interested parties and their heirs, successors, and personal representatives.

10. Impact on Benefits. The nonqualified stock options granted pursuant to this Award Notice (either at the date of their grant or at the time the shares are vested) shall not be includible as compensation or earnings for purposes of any compensation or benefit plan offered by Kodak.

Eastman Kodak Company and Subsidiary Companies
Computation of Earnings Per Common Share

| | 1996 | 1995 | 1994 |
|---|---|---------|---------|
| | (in millions, except per share data) | | |
| <S> | <C> | <C> | <C> |
| Earnings from continuing operations before income taxes | \$1,556 | \$1,926 | \$1,002 |
| Provision for income taxes from continuing operations | 545 | 674 | 448 |
| | ----- | ----- | ----- |
| Earnings from continuing operations before extraordinary items | 1,011 | 1,252 | 554 |
| Loss from discontinued operations | - | - | (81) |
| Gain on sale of discontinued operations | 277 | - | 350 |
| | ----- | ----- | ----- |
| Earnings before extraordinary items | 1,288 | 1,252 | 823 |
| Extraordinary items | - | - | (266) |
| | ----- | ----- | ----- |
| NET EARNINGS | \$1,288 | \$1,252 | \$ 557 |
| | ===== | ===== | ===== |
| Average number of common shares outstanding | 337.4 | 341.5 | 335.7 |
| | ----- | ----- | ----- |
| Earnings (loss) per share: | | | |
| From continuing operations before extraordinary items | \$3.00 | \$3.67 | \$1.65 |
| From discontinued operations | - | - | (.25) |
| From sale of discontinued operations | .82 | - | 1.05 |
| | ----- | ----- | ----- |
| Before extraordinary items | 3.82 | 3.67 | 2.45 |
| From extraordinary items | - | - | (.79) |
| | ----- | ----- | ----- |
| Earnings per share | \$3.82 | \$3.67 | \$1.66 |
| | ===== | ===== | ===== |

Eastman Kodak Company and Subsidiary Companies
 Computation of Ratio of Earnings to Fixed Charges
 (in millions, except for ratios)

Year Ended December 31,

| | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|----------|---------|----------|----------|----------|
| Earnings from continuing operations before provision for income taxes | \$1,556 | \$1,926 | \$1,002 | \$1,077 | \$1,379 |
| Add: | | | | | |
| Interest expense | 83 | 78 | 535 | 753 | 825 |
| Interest component of rental expense (1) | 81 | 63 | 66 | 80 | 76 |
| Amortization of capitalized interest | 22 | 22 | 25 | 40 | 37 |
| | ----- | ----- | ----- | ----- | ----- |
| Earnings as adjusted | \$1,742 | \$2,089 | \$1,628 | \$1,950 | \$2,317 |
| | ===== | ===== | ===== | ===== | ===== |
| Fixed charges | | | | | |
| Interest expense | \$ 83 | \$ 78 | \$ 535 | \$ 753 | \$ 825 |
| Interest component of rental expense (1) | 81 | 63 | 66 | 80 | 76 |
| Capitalized interest | 29 | 30 | 35 | 87 | 95 |
| | ----- | ----- | ----- | ----- | ----- |
| Total fixed charges | \$ 193 | \$ 171 | \$ 636 | \$ 920 | \$ 996 |
| | ===== | ===== | ===== | ===== | ===== |
| Ratio of earnings to fixed charges | 9.0x (2) | 12.2x | 2.6x (3) | 2.1x (4) | 2.3x (5) |

(1) Interest component of rental expense is estimated to equal 1/3 of such expense, which is considered a reasonable approximation of the interest factor.

(2) The ratio is 12.9x before deducting restructuring costs of \$358 million and the loss on the sale of the Office Imaging business of \$387 million.

(3) The ratio is 3.1x before deducting restructuring costs of \$340 million.

(4) The ratio is 2.6x before deducting restructuring costs of \$495 million.

(5) The ratio is 2.5x before deducting restructuring costs of \$219 million.

Subsidiaries of Eastman Kodak Company

| Companies Consolidated | Organized Under Laws of |
|--|----------------------------|
| Eastman Kodak Company | New Jersey |
| Eastman Kodak International Finance B.V. | Netherlands |
| Eastman Kodak International Sales Corporation | Barbados |
| Torrey Pines Realty Company, Inc. | Delaware |
| The Image Bank, Inc. | New York |
| Cinesite, Inc. | Delaware |
| FPC Inc. | California |
| Qualex Inc. | Delaware |
| Fox Photo, Inc. | Delaware |
| Jamieson Film Company | Delaware |
| Eastman Gelatine Corporation | Massachusetts |
| Eastman Canada Inc. | Canada |
| Kodak Canada Inc. | Canada |
| Kodak (Export Sales) Ltd. | Hong Kong |
| Kodak Argentina S.A.I.C. | Argentina |
| Kodak Brasileira C.I.L. | Brazil |
| Kodak Chilena S.A.F. | Chile |
| Kodak Colombiana, Ltd. | New York |
| Kodak Panama, Ltd. | New York |
| Kodak Peruana, Ltd. | New York |
| Kodak Caribbean, Limited | New York |
| Kodak Uruguay, Ltd. | New York |
| Kodak Venezuela, S.A. | Venezuela |
| Kodak (Near East), Inc. | New York |
| Kodak (Singapore) Pte. Limited | Singapore |
| Kodak Philippines, Ltd. | New York |
| Kodak Limited | England |
| Cinesite (Europe) Limited | England |
| Kodak AO | Russia |
| Kodak India Limited | India |
| Kodak Ireland Limited | Ireland |
| Kodak-Pathe SA | France |
| Kodak A.G. | Germany |
| Kodak Korea Limited | South Korea |
| Kodak Far East Purchasing, Inc. | New York |
| Kodak New Zealand Limited | New Zealand |
| Kodak (Australasia) Pty. Ltd. | Australia |
| Kodak (Kenya) Limited | Kenya |
| Kodak (Egypt) S.A.E. | Egypt |
| Kodak (Malaysia) S.B. | Malaysia |
| Kodak Taiwan Limited | Taiwan |
| Eastman Kodak International Capital Company, Inc. | Delaware |
| Kodak de Mexico S.A. de C.V. | Mexico |
| Kodak Mexicana S.A. de C.V. | Mexico |
| Industria Mexicana de Foto Copiadoras, S.A. de C.V. | Mexico |
| N.V. Kodak S.A. | Belgium |
| Kodak a.s. | Denmark |
| Kodak Norge A/S | Norway |
| Kodak SA | Switzerland |
| Kodak (Far East) Limited | Hong Kong |
| Kodak (Thailand) Limited | Thailand |
| Kodak G.m.b.H. | Austria |
| Kodak Kft. | Hungary |
| Kodak Oy | Finland |
| Kodak Nederland B.V. | Netherlands |

| Companies Consolidated | Organized Under Laws of |
|--------------------------------|----------------------------|
| Kodak S.p.A. | Italy |
| Kodak Portuguesa Limited | New York |
| Kodak S.A. | Spain |
| Kodak AB | Sweden |
| EK Asia Pacific Ltd. | Japan |
| K.K. Kodak Information Systems | Japan |
| Kodak Japan Ltd. | Japan |
| Kodak Imagica K.K. | Japan |
| Kodak Japan Industries Ltd. | Japan |

Note: Subsidiary Company names are indented under the name of the parent company.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE 1996 FORM 10-K OF EASTMAN KODAK COMPANY, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

CIK: 0000031235

NAME: EASTMAN KODAK COMPANY

MULTIPLIER: 1,000,000

CURRENCY: U.S. DOLLARS

| PERIOD TYPE | YEAR |
|----------------------------|-------------|
| FISCAL YEAR END | DEC 31 1996 |
| PERIOD START | JAN 01 1996 |
| PERIOD END | DEC 31 1996 |
| EXCHANGE RATE | 1.0 |
| CASH | 1777 |
| SECURITIES | 19 |
| RECEIVABLES | 2738 |
| ALLOWANCES | 90 |
| INVENTORY | 1575 |
| CURRENT ASSETS | 6965 |
| PP&E | 12585 |
| DEPRECIATION | 7163 |
| TOTAL ASSETS | 14438 |
| CURRENT LIABILITIES | 5417 |
| BONDS | 559 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 978 |
| OTHER SE | 3756 |
| TOTAL LIABILITY AND EQUITY | 14438 |
| SALES | 15968 |
| TOTAL REVENUES | 16244 |
| CGS | 8326 |
| TOTAL COSTS | 8326 |
| OTHER EXPENSES | 6279 |
| LOSS PROVISION | 66 |
| INTEREST EXPENSE | 83 |
| INCOME PRETAX | 1556 |
| INCOME TAX | 545 |
| INCOME CONTINUING | 1011 |
| DISCONTINUED | 277 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 1288 |
| EPS PRIMARY | 3.82 |
| EPS DILUTED | 0 |

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