Kodak

July 11, 2012

TO: Kodak Employees
FROM: Antonio Perez, Chairman & Chief Executive Officer
SUBJECT: Emergence Performance Plan

The Executive Compensation and Restructuring Committee of our Board of Directors is proposing to the Court today a senior management incentive plan that will partially replace our prior long-term programs and pay out only on our successful reorganization under Chapter 11. The memo below from Jim Mesterharm, our Chief Restructuring Officer, provides details about this Emergence Performance Plan, but I want to explain to you some of the reasoning behind it. First, I believe in this management team. Over the past several months, with your support, they have successfully led efforts to stabilize our business with customers and suppliers – something many doubted we could accomplish. With that behind us, it is now time to finalize a Plan of Reorganization to exit Chapter 11. Second, no payments will be made from the Emergence Performance Plan unless and until a successful reorganization is executed and our creditors see a meaningful return. For these reasons, this plan has the full support of the Official Committee of Unsecured Creditors. I will continue to share important updates with you as we move through our reorganization process. I am confident that together we can build an even greater Kodak of the future.

Antonio

TO: Kodak Employees
FROM: Jim Mesterharm, Chief Restructuring Officer
SUBJECT: Emergence Performance Plan

Later this afternoon, Kodak will file a motion with the U.S. Bankruptcy Court requesting approval to implement an Emergence Performance Plan. This kind of program, often called a key executive incentive plan, is very common in U.S. Chapter 11 restructuring processes. Kodak's Emergence Performance Plan has been developed by a team of advisors from AlixPartners and our legal counsel, Sullivan & Cromwell, with input from our Official Committee of Unsecured Creditors. It is now being presented to the Court for its approval.

Kodak has made substantial and steady progress in its reorganization over the last several months. Our senior leadership team has successfully led efforts to stabilize the business with our customers and suppliers following our Chapter 11 filing, and is now focused on finalizing a Plan of Reorganization to drive a successful emergence from Chapter 11.

The Emergence Performance Plan provides our leaders an opportunity to earn market-competitive compensation – though at a reduced rate from prior years – for their achievement of this goal. Incentives from the program would only begin to be realized with Kodak's successful reorganization. Indeed, under the terms of the proposed plan, the incentive payments occur only with a reorganization after which a substantial portion of the company's businesses operate as a going concern outside of Chapter 11.

Further, the proposed plan has been structured based on a "plan of record recovery model" or "creditor recovery model," which we believe provides for payout conditions that are more rigorous than in most programs of this kind. The plan is designed to both maximize creditor recovery and drive an exit from Chapter 11 – no payments will be made unless and until Kodak achieves a successful reorganization and our creditors see a meaningful return. As the recovery for creditors increases, the incentive amounts earned increase.

Under the motion we will file today:

- Nine executive officers (including Antonio Perez) and six other key managers are eligible for the Emergence Performance Plan.
- The plan provides incentives to participants to maximize creditor recovery and, therefore, Kodak's value upon a successful reorganization under Chapter 11. Under the plan, no payment is made prior to a successful reorganization and meaningful creditor recovery. The target payout requires a Creditor Recovery Percentage of at least 30% which would require a creditor recovery of approximately double that implied by the average trading value of the company's senior unsecured notes due 2013 and 2017 over the past 30 days.
- The proposed incentives are less than and partially replace current senior management long-term incentive compensation. Target opportunities are 20% to 60% less than that of ordinary course long-term incentive plans, with Antonio Perez having the largest reduction.
- Unlike the vast majority of similar programs, which are typically paid out in full at emergence, payouts under the Emergence Performance Plan are structured as half-cash, half deferred stock at certain performance levels, with payout of the stock portion deferred for one year from the successful reorganization. This reinforces the decisions made to ensure Kodak remains a sustainable business beyond the reorganization.
- Any participant who leaves Kodak voluntarily prior to a successful reorganization forfeits his or her participation in the plan.
- The motion also requests payment, if earned, for the executive officers under the previously approved EXCEL incentive program, and acceptance of a previously disclosed incentive agreement with Laura Quatela concerning monetization of intellectual property.

A highly regarded independent compensation consulting firm, FW Cook, compared the Emergence Performance Plan to similar plans at 11 other debtor companies and concluded that it is reasonable, and appropriately supports a successful reorganization and decisions to position Kodak as a company built for long-term viability. Moreover, the Official Committee of Unsecured Creditors has reviewed the proposed Emergence Performance Plan and agrees that "the Debtors' request is consistent with market standards and constitutes a sound exercise of their business judgment."

We will continue to provide you with updates on this and other significant restructuring developments as we go forward.

Jim