

EASTMAN KODAK CO  
Form DEF 14A  
March 30, 2007

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  Soliciting Material Under Rule 14a-12
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials

Eastman Kodak Company

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(Name of Registrant as Specified In Its Charter)  
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# **NOTICE OF 2007 ANNUAL MEETING AND PROXY STATEMENT**

## **Date of Notice April 2, 2007**

**EASTMAN KODAK COMPANY**  
343 STATE STREET  
ROCHESTER, NEW YORK 14650

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# NOTICE OF 2007 ANNUAL MEETING AND PROXY STATEMENT

Dear Shareholder:

You are cordially invited to attend our Annual Meeting of Shareholders on Wednesday, May 9, 2007 at 10:00 a.m. at the Morris J. Wosk Centre for Dialogue at Simon Fraser University, 580 W. Hastings Street, Vancouver, BC, Canada. You will be asked to vote on management and shareholder proposals. This Proxy Statement and the enclosed proxy card are being mailed to you on or about April 2, 2007.

Whether or not you attend the Annual Meeting, we hope you will vote as soon as possible. You may vote over the internet, as well as by telephone or by mailing a proxy card or voting instruction card. Please review the instructions on your proxy or voting instruction card regarding each of these voting options. We encourage you to use the internet, as it is the most cost-effective way to vote.

We look forward to seeing you at the Annual Meeting and would like to take this opportunity to remind you that your vote is very important.

Sincerely,

Antonio M. Perez  
Chairman of the Board

## NOTICE OF THE 2007 ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Eastman Kodak Company will be held on Wednesday, May 9, 2007 at 10:00 a.m. at the Morris J. Wosk Centre for Dialogue at Simon Fraser University, 580 W. Hastings Street, Vancouver, BC, Canada. The following proposals will be voted on at the Annual Meeting:

1. Election of the following directors for a term of one year or until their successors are duly elected and qualified:  
Michael J. Hawley, William H. Hernandez, Hector de J. Ruiz and Laura D. Andrea Tyson.
2. Ratification of the Audit Committee's selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm.
3. Shareholder proposal requesting a monetary limit on executive compensation.

**The Board of Directors recommends a vote FOR items 1 and 2 and AGAINST item 3.**

If you were a shareholder of record at the close of business on March 19, 2007, you are entitled to vote at the Annual Meeting.

If you have any questions about the Annual Meeting, please contact: Coordinator, Shareholder Services, Eastman Kodak Company, 343 State Street, Rochester, NY 14650-0205, (585) 724-5492.

The Annual Meeting will be accessible by the handicapped. If you require special assistance, call the Coordinator, Shareholder Services.

By Order of the Board of Directors

Laurence L. Hickey  
Secretary and Assistant General Counsel  
Eastman Kodak Company  
April 2, 2007

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## Questions & Answers

**Q.**

**A.**

***Why am I receiving these proxy materials?***

Our Board of Directors (the Board) is providing these proxy materials to you in connection with Kodak's 2007 annual meeting of Shareholders (the Annual Meeting). As a shareholder of record, you are invited to attend the Annual Meeting and are entitled and requested to vote on the items of business described in this Proxy Statement. The approximate date on which this Proxy Statement and enclosed proxy card are being mailed to you is April 2, 2007.

**Q.**

**A.**

***What am I voting on?***

The Board is soliciting your proxy in connection with the Annual Meeting to be held on Wednesday, May 9, 2007 at 10:00 a.m. Pacific Daylight Time at the Morris J. Wosk Centre for Dialogue at Simon Fraser University, 580 W. Hastings Street, Vancouver, BC, Canada, and any adjournment or postponement thereof. You are voting on the following proposals:

1. Election of the following directors for a term of one year or until their successors are duly elected and qualified:  
Michael J. Hawley, William H. Hernandez, Hector de J. Ruiz and Laura D'Andrea Tyson.
2. Ratification of the Audit Committee's selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm.
3. Shareholder proposal requesting a monetary limit on executive compensation.

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**Q. What are the voting recommendations of the Board?**

**A.** The Board recommends the following votes:

- FOR each of the director nominees.
- FOR ratification of the Audit Committee's selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm.
- AGAINST the shareholder proposal.

**Q. What is the difference between holding shares as a shareholder of record and as a beneficial owner?**

**A.** Most Kodak shareholders hold their shares through a broker or other nominee (beneficial ownership) rather than directly in their own name (shareholder of record). As summarized below, there are some distinctions between shares held of record and those owned beneficially.

**Shareholder of Record.** If your shares are registered in your name with Kodak's transfer agent, Computershare Investor Services, you are considered, with respect to those shares, the shareholder of record, and these proxy materials are being sent directly to you by Kodak. As the shareholder of record, you have the right to grant your voting proxy directly to Kodak or a third party, or to vote in person at the Annual Meeting. Kodak has enclosed or sent a proxy card for you to use.

**Beneficial Owner.** If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you together with a voting instruction card on behalf of your broker, trustee or nominee. As the beneficial owner, you have the right to direct your broker, trustee or nominee on how to vote your shares and you are also invited to attend the Annual Meeting. Your broker, trustee or nominee has enclosed or provided voting instructions for you to use in directing the broker, trustee or nominee on how to vote your shares. Since a beneficial owner is not the shareholder of record, you may not vote these shares in person at the Annual Meeting unless you obtain a "legal proxy" from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the Annual Meeting. Your broker has the discretion to vote on routine corporate matters presented in the proxy materials with-out your specific voting instructions, but with respect to any non-routine matter over which the broker does not have discretionary voting power, your shares will not be voted without your specific voting instructions. When the broker does not have discretionary voting power on a particular proposal and does not receive voting instructions from you, the shares that are not voted are referred to as "broker non-votes."

**Q. Will any other matter be voted on?**

**A.** We are not aware of any other matters you will be asked to vote on at the Annual Meeting. If you have returned your signed proxy card or otherwise given the Company's management your proxy, and any other matter is properly brought before the Annual Meeting, Antonio M. Perez and Laurence L. Hickey, acting as your proxies, will vote for you in their discretion. New Jersey law (under which the Company is incorporated) requires that you be given notice of all matters to be voted on, other than procedural matters such as adjournment of the



**Q. How do I vote?**

**A.** There are four ways to vote, if you are a shareholder of record:

- By internet at **www.investorvote.com**. We encourage you to vote this way.
- By toll-free telephone: (800) 652-VOTE (8683).
- By completing and mailing your proxy card.
- By written ballot at the Annual Meeting.

Your shares will be voted as you indicate. If you return your signed proxy card or otherwise give the Company's management your proxy, but do not indicate your voting preferences, Antonio M. Perez and Laurence L. Hickey will vote your shares FOR items 1 and 2 and AGAINST item 3. As to any other business that may properly come before the Annual Meeting, Antonio M. Perez and Laurence L. Hickey will vote in accordance with their best judgment, although the Company does not presently know of any other business.

If you are a beneficial owner, please follow the voting instructions sent to you by your broker, trustee or nominee.

**Q. What happens if I do not give specific voting instructions?**

**A.** If you hold shares in your name, and you sign and return a proxy card without giving specific voting instructions, the proxy holders will vote your shares in the manner recommended by our Board on all matters presented in this Proxy Statement, and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Meeting. If you hold your shares through a broker, bank or other nominee, and do not provide your broker with specific voting instructions:

- Your broker will have the authority to exercise discretion to vote your shares with respect to item 1 (election of directors) and item 2 (ratification of auditors) because they involve matters that are considered routine.
- Your broker will not have the authority to exercise discretion to vote your shares with respect to item 3 (the shareholder proposal) because it involves a matter that is considered non-routine.

**Q. What is the deadline for voting my shares?**

**A.** If you are a shareholder of record and vote by internet or telephone, your vote must be received by 12:01 a.m., Eastern Time, on May 9, 2007, the morning of the Annual Meeting. If you are a shareholder of record and vote by mail or by written ballot at the Annual Meeting, your vote must be received before the polls close at the Annual Meeting.

If you are a beneficial owner, please follow the voting instructions provided by your broker, trustee or nominee. You may vote your shares in person at the Annual Meeting, only if you provide a legal proxy obtained from your broker, trustee or nominee at the Annual Meeting.

**Q. Who can vote?**

**A.** To be able to vote your Kodak shares, the records of the Company must show that you held your shares as of the close of business on March 19, 2007, the record date for the Annual Meeting. Each share

of common stock is entitled to one vote.

**Q.**  
**A.**

***Can I change my vote or revoke my proxy?***

Yes. If you are a shareholder of record, you can change your vote or revoke your proxy before the Annual Meeting by:

- Entering a timely new vote by internet or telephone;
- Returning a later-dated proxy card; or
- Notifying Laurence L. Hickey, Secretary and Assistant General Counsel.

You may also complete a written ballot at the Annual Meeting.

If you are a beneficial owner, please follow the voting instructions sent to you by your broker, trustee or nominee.

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**Q. *What vote is required to approve each proposal?***

**A.** The following table describes the voting requirements for each proposal:

Item 1 <input type="checkbox"/> Election of Directors	The director nominees receiving the greatest number of votes will be elected. This means that, if you do not vote for a particular nominee, or if you withhold authority to vote for a particular nominee when voting your proxy, your vote will not count for or against the nominee. Under the Company's majority voting policy for the election of directors, as more fully described on page 29 of this Proxy Statement, in an uncontested election, any director who receives a majority of <input type="checkbox"/> withhold <input type="checkbox"/> votes will be required to tender his or her resignation to the Corporate Responsibility and Governance Committee, which will then consider the resignation and make a recommendation to the Board.
Item 2 <input type="checkbox"/> Ratification of the Audit Committee's selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm	To be approved by you, this proposal must receive the affirmative vote of a majority of the votes cast at the Annual Meeting.
Item 3 <input type="checkbox"/> Shareholder Proposal requesting a monetary limit on executive compensation	To be approved by you, the shareholder proposal must receive the affirmative vote of a majority of the votes cast at the Annual Meeting.

**Q.**  
**A.**

***Is my vote confidential?***

Yes. Only the inspectors of election and certain individuals who help with processing and counting the votes have access to your vote. Directors and employees of the Company may see your vote only if the Company needs to defend itself against a claim or if there is a proxy solicitation by someone other than the Company. Therefore, please do not write any comments on your proxy card.

**Q.**  
**A.**

***Who will count the vote?***

Computershare Investor Services will count the vote. Its representatives will be the inspectors of election.

**Q.** ***What shares are covered by my proxy card?***  
**A.** The shares covered by your proxy card represent all the shares of Kodak stock you own, including those in the Eastman Kodak Shares Program and the Employee Stock Purchase Plan, and those credited to your account in the Eastman Kodak Employees' Savings and Investment Plan and the Kodak Employees' Stock Ownership Plan. The trustees and custodians of these plans will vote your shares in each plan as you direct. You have one vote for each share of Kodak common stock you own on the record date with respect to all business at the Annual Meeting.

**Q.** ***What does it mean if I get more than one proxy card?***  
**A.** It means your shares are in more than one account. You should vote the shares on all your proxy cards. To provide better shareholder service, we encourage you to have all your shares registered in the same name and address. You may do this by contacting our transfer agent, Computershare Investor Services at (800) 253-6057.

**Q.** ***Who can attend the Annual Meeting?***  
**A.** If the records of the Company show that you held your shares as of the close of business on March 19, 2007, the record date for the Annual Meeting, you can attend the Annual Meeting. Seating, however, is limited. Attendance at the Annual Meeting will be on a first-come, first-served basis, upon arrival at the Annual Meeting. Photographs will be taken and videotaping will be conducted at the Annual Meeting. We may use these images in publications. If you attend the Annual Meeting, we assume we have your permission to use your image.

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**Q.** ***What do I need to do to attend the Annual Meeting?***

**A.** To attend the Annual Meeting, please follow these instructions:

- If you vote by using the enclosed proxy card, check the appropriate box on the card.
- If you vote by internet or telephone, follow the instructions provided for attendance.
- If you are a beneficial owner, bring proof of your ownership with you to the Annual Meeting.
- To enter the Annual Meeting, bring the Admission Ticket attached to your proxy card or printed from the internet.
- If you do not have an Admission Ticket, go to the Special Registration desk upon arrival at the Annual Meeting.

Seating at the Annual Meeting will be on a first-come, first-served basis, upon arrival at the Annual Meeting.

**Q.** ***Can I bring a guest?***  
**A.** Yes. If you plan to bring a guest to the Annual Meeting, check the appropriate box on the enclosed proxy card or follow the instructions on the internet or telephone. When you go through the registration area at the Annual Meeting, be sure your guest is with you.

**Q.** ***What is the quorum requirement of the Annual Meeting?***

**A.** A majority of the outstanding shares on May 9, 2007 constitutes a quorum for voting at the Annual Meeting. If you vote, your shares will be part of the quorum. Abstentions and broker non-votes, other than where stated, will be counted in determining the quorum, but neither will be counted as votes cast. On March 19, 2007, there were 287,559,384 shares outstanding.

**Q.**  
**A.** ***Can I nominate someone to the Board?***  
Our by-laws provide that any shareholder may nominate a person for election to the Board so long as the shareholder follows the procedure outlined in the by-laws as summarized below. This is the procedure to be followed for direct nominations, as opposed to recommendations of nominees for consideration by our Corporate Responsibility and Governance Committee.

The complete description of the procedure for shareholder nomination of director candidates is contained in our by-laws. A copy of the full text of the by-law provision containing this procedure may be obtained by writing to our Secretary at our principal executive offices. Our by-laws can also be accessed at **[www.kodak.com/go/governance](http://www.kodak.com/go/governance)**. For purposes of summarizing this procedure, we have assumed: 1) the date of the upcoming Annual Meeting is within 30 days of the date of the annual meeting for the previous year; and 2) if the size of the Board is to be increased, that both the name of the director nominee and the size of the increased Board are publicly disclosed at least 120 days prior to the first anniversary of the previous year's annual meeting. Based on these assumptions, a shareholder desiring to nominate one or more candidates for election at the next annual meeting must deliver written notice of such nomination to our Secretary, at our principal office, not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting.

The written notice to our Secretary must contain the following information with respect to each nominee: 1) the proposing shareholder's name and address; 2) the number of shares of the Company owned of record and beneficially by the proposing shareholder; 3) the name of the person to be nominated; 4) the number of shares of the Company owned of record and beneficially by the nominee; 5) a description of all relationships, arrangements and understandings between the shareholder and the nominee and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by the shareholder; 6) such other information regarding the nominee as would have been required to be included in the proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission (SEC) had the nominee been nominated, or intended to be nominated, by the Board, such as the nominee's name, age and business experience; and 7) the nominee's signed consent to serve as a director if so elected.

Persons who are nominated in accordance with this procedure will be eligible for election as directors at the annual meeting of the Company's shareholders.

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**Q.** ***What is the deadline to propose actions for consideration at the 2008 annual meeting?***  
**A.** For a shareholder proposal to be considered for inclusion in Kodak's proxy statement for the 2008 annual meeting, the Secretary of Kodak must receive the written proposal at our principal executive offices no later than December 4, 2007. Such proposals must comply with SEC regulations under Rule 14a-8 regarding the inclusion of shareholder proposals in company-sponsored proxy materials. Proposals should be addressed

to:

Secretary  
Eastman Kodak Company  
343 State Street  
Rochester, NY 14650-0218

For a shareholder proposal that is not intended to be included in Kodak's proxy statement under Rule 14a-8, the shareholder must deliver a proxy statement and form of proxy to holders of a sufficient number of shares of Kodak common stock to approve that proposal, provide the information required by the by-laws of Kodak and give timely notice to the Secretary of Kodak in accordance with the by-laws of Kodak, which, in general, require that the notice be received by the Secretary of Kodak:

- not earlier than the close of business on January 9, 2008, and
- not later than the close of business on February 11, 2008.

If the date of the shareholder meeting is moved more than 30 days before or 30 days after the anniversary of the 2007 Annual Meeting, then notice of a shareholder proposal that is not intended to be included in Kodak's proxy statement under Rule 14a-8 must be received no earlier than the close of business 120 days prior to the meeting and no later than the close of business on the later of the following two dates:

- 90 days prior to the meeting, and
- 10 days after public announcement of the meeting date.

You may contact our Secretary at our principal executive offices for a copy of the relevant by-law provisions regarding the requirements for making shareholder proposals. Our by-laws can also be accessed at [www.kodak.com/go/governance](http://www.kodak.com/go/governance).

**Q.**  
**A.**

***How much did this proxy solicitation cost?***

The Company hired Georgeson Shareholder Communications, Inc. to assist in the distribution of proxy materials and solicitation of votes. The estimated fee is \$18,500 plus reasonable out-of-pocket expenses. In addition, the Company will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders. Directors, officers and employees of the Company may solicit proxies and voting instructions in person, by telephone or other means of communication. These directors, officers and employees will not be additionally compensated but may be reimbursed for reasonable out-of-pocket expenses in connection with these solicitations.

**Q.**  
**A.**

***What other information about Kodak is available?***

The following information is available:

- Annual Report on Form 10-K
- Transcript of the Annual Meeting
- Plan descriptions, annual reports and trust agreements and contracts for the pension plans of the Company and its subsidiaries

- Diversity Report; Form EEO-1
- Health, Safety and Environment Annual Report on Kodak's website at [www.kodak.com/go/HSE](http://www.kodak.com/go/HSE)
- Corporate Responsibility Principles on Kodak's website at [www.kodak.com/US/en/corp/principles](http://www.kodak.com/US/en/corp/principles)
- Corporate Governance Guidelines on Kodak's website at [www.kodak.com/go/governance](http://www.kodak.com/go/governance)
- Business Conduct Guide on Kodak's website at [www.kodak.com/US/en/corp/principles/businessConduct.shtml](http://www.kodak.com/US/en/corp/principles/businessConduct.shtml)
- Eastman Kodak Company by-laws on Kodak's website at [www.kodak.com/go/governance](http://www.kodak.com/go/governance)
- Charters of the Board's Committees (Audit Committee, Corporate Responsibility and Governance Committee, Executive Committee, Executive Compensation and Development Committee, and Finance Committee) on Kodak's website at [www.kodak.com/go/governance](http://www.kodak.com/go/governance)
- Directors' Code of Conduct on Kodak's website at [www.kodak.com/go/governance](http://www.kodak.com/go/governance)
- Kodak Board of Directors Policy on Recoupment of Annual Incentive Bonuses in the Event of a Restatement Due to Fraud or Misconduct at [www.kodak.com/go/governance](http://www.kodak.com/go/governance)

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You may request printed copies of any of these documents by contacting:

Coordinator, Shareholder Services  
Eastman Kodak Company  
343 State Street  
Rochester, NY 14650-0205  
(585) 724-5492

The address of our principal executive office is:

Eastman Kodak Company  
343 State Street  
Rochester, NY 14650

## HOUSEHOLDING OF DISCLOSURE DOCUMENTS

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The SEC has adopted rules regarding the delivery of disclosure documents to shareholders sharing the same address. This rule benefits both you and Kodak. It reduces the volume of duplicate information received at your household and helps Kodak reduce expenses. Kodak expects to follow this rule any time it distributes annual reports, proxy statements, information statements and prospectuses. As a result, we are sending only one copy of this Proxy Statement and Kodak's Annual Report to multiple shareholders sharing an address, unless we receive contrary instructions from one or more of these shareholders. Each shareholder will continue to receive a separate proxy card or voting instruction card.

If your household received a single set of disclosure documents for this year, but you would prefer to receive your own copy, please contact Kodak's transfer agent, Computershare Investor Services by calling their toll-free number, (800) 253-6057, or by mail at P.O. Box 43078, Providence, RI 02940-3078.

If you would like to receive your own set of Kodak's disclosure documents in future years, follow the instructions described below. Similarly, if you share an address with another Kodak shareholder and together both of you would like to receive only a single set of Kodak's disclosure documents, follow these instructions:

- If your Kodak shares are registered in your own name, please contact Kodak's transfer agent, Computershare Investor Services and inform them of your request by phone: (800) 253-6057, or by mail: P.O. Box 43078, Providence, RI 02940-3078.
- If a broker or other nominee holds your Kodak shares, please contact ADP and inform them of your request by phone: (800) 542-1061, or by mail: Householding Department, 51 Mercedes Way, Edgewood, NY 11717. Be sure to include your name, the name of your brokerage firm and your account number.

#### **AUDIO WEBCAST OF ANNUAL MEETING AVAILABLE ON THE INTERNET**

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Kodak's Annual Meeting will be webcast live. If you have internet access, you can listen to the webcast by going to Kodak's Investor Center webpage at [www.kodak.com/US/en/corp/investorCenter/investorsCenterHome.shtml](http://www.kodak.com/US/en/corp/investorCenter/investorsCenterHome.shtml).

This webcast is listen only. You will not be able to ask questions.

The Annual Meeting audio webcast will remain available on our website for a short period of time after the Annual Meeting.

Information included on our website, other than our Proxy Statement and proxy card, is not part of the proxy solicitation materials.

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## **n Proposals**

### **MANAGEMENT PROPOSALS**

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#### **ITEM 1 □ Election of Directors**

Kodak's by-laws require us to have at least nine directors but no more than 18. The number of directors is set by the Board and is currently 11. Mr. Perez is the only director who is an employee of the Company. We are in the process of declassifying our Board.

- Class I directors who stood for election at the 2006 annual meeting were elected for two-year terms ending in 2008.
- Class II directors are standing for re-election at the 2007 Annual Meeting for one-year terms ending in 2008.
- Class III directors, whose terms end in 2008, will continue to serve out their terms in full.

Beginning with the 2008 annual meeting, all directors will stand for election to one-year terms.

There are four Class II directors whose terms expire at the 2007 Annual Meeting and who are standing for re-election. Martha Layne Collins, an existing Class I director, is not standing for re-election due to her pending retirement, in accordance with the Company's mandatory retirement policy. Durk I. Jager, an existing Class III director, will be stepping down as a director as of the date of the 2007 Annual Meeting.

Nominees for election as Class II directors are:

Michael J. Hawley  
William H. Hernandez

Hector de J. Ruiz  
Laura D. Andrea Tyson

These nominees agree to serve a one-year term. Information about them is provided on pages 13 -14 of this Proxy Statement.

If a nominee is unable to stand for election, the Board may reduce the number of directors or choose a substitute. If the Board chooses a substitute, the shares represented by proxies will be voted for the substitute. If a director retires, resigns, dies or is unable to serve for any reason, the Board may reduce the number of directors or elect a new director to fill the vacancy.

The director nominees receiving the greatest number of votes will be elected. Under the Company's majority voting policy for the election of directors, however, any director who receives a majority of "withhold" votes will be required to tender his or her resignation to the Corporate Responsibility and Governance Committee, which will then consider the resignation and make a recommendation to the Board. More information about the Company's majority voting policy can be found on page 29 of this Proxy Statement.

***The Board of Directors recommends a vote FOR the election of these directors.***

**ITEM 2 Ratification of the Audit Committee's Selection of PricewaterhouseCoopers LLP as Our Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP has been the Company's independent accountants for many years. The Audit Committee has selected PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm to serve until the 2008 annual meeting.

Representatives of PricewaterhouseCoopers LLP are expected to attend the Annual Meeting to respond to questions and, if they desire, make a statement.

The ratification of the Audit Committee's selection of PricewaterhouseCoopers LLP requires the affirmative vote of a majority of the votes cast by the holders of shares entitled to vote.

***The Board of Directors recommends a vote FOR ratification of the Audit Committee's selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm.***

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**SHAREHOLDER PROPOSAL**

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**ITEM 3 Shareholder Proposal Requesting A Monetary Limit on Executive Compensation**

Robert D. Morse, owner of over \$2,000 in Company stock, submitted the following proposal:

**PROPOSAL:** Robert D. Morse, of 212 Highland Avenue, Moorestown, NJ 08057-2717, owner of \$2000.00 or more in Eastman Kodak Company stock, propose that the remuneration to any of the top five persons named in Management be limited to \$500,000.00 per year, plus any nominal perks. This program is to be applied after any existing programs now in force for options, bonuses, SARs, etc., have been completed, and severance contracts should be discontinued, as they are also a part of remuneration programs.

This proposal does not affect any other personnel in the company and their remuneration programs.

**REASONS:** The limit of one half million dollars in remuneration is far above that needed to enjoy an elegant life-style.



Throughout Corporate history, only a few persons whom have created a corporation now remain in Management. Some descendents have inherited top positions, while most have attained them through recommendations, ability, or influence, not necessarily providing increased earnings for a company. These come from the product or services, its public acceptance, advertising and the workforce.

Due to an unfair removal of the word: "Against" since about Year 1975, and ONLY in the "Vote for Directors" column, Management nominees for that position are rarely defeated, as receiving only as little as one vote guarantees election, and in turn, Directors re-elect management and reward them. The term was devised and incorporated in 6 or 8 states of high company registrations as a state and corporate "Rule". "Right of Dissent" is denied, and shareowners may not vote "No" or "Against" and be counted as such. This unfairness has yet to be corrected by the Commission as requested.

The Ford Motor Company reinstated "Against" several years ago, showing the American Way of proper corporate proxies presentations. Exxon-Mobil has reverted to a majority vote for election of Directors., a fine decision for shareowners!

Thank you, and please vote "YES" for this Proposal. It is for YOUR benefit![]

### **BOARD OF DIRECTORS' POSITION**

Our Board recommends a vote AGAINST this proposal because limiting executive officer compensation to \$500,000 per year would not be in the best interests of the Company or you for the following reasons:

**Hinders Ability to Attract and Retain Leadership.** Attracting and retaining qualified senior leadership and motivating them to contribute to the success of Kodak depends in part on our ability to remain competitive with companies against which we compete for executive talent. The proposal would place an arbitrary annual limit on the amount of compensation that can be paid to our senior leadership. Because the market for executive talent has valued the services of certain senior executives in excess of this limit, the proposal would place the Company at a competitive disadvantage and severely hinder its ability to recruit and retain talented executive leadership. Our Board believes that it is important that executive compensation be market competitive. Our executive compensation philosophy provides that total direct compensation, consisting of annual pay, annual variable pay and long-term variable equity incentives, should be at a competitive median level.

**Limits Compensation Committee's Flexibility.** The Executive Compensation and Development Committee (Compensation Committee) of our Board is composed solely of independent directors and retains an independent external compensation consultant to advise it on executive compensation matters. The Compensation Committee exercises its business judgment by regularly considering its approach to the compensation paid to the Company's senior executives. For example, in 2005, the Compensation Committee, in light of the Company's extraordinary digital transformation, requested its independent external consultant to analyze the market competitiveness of each element of compensation paid to the Company's executive officers. In accordance with the consultant's recommendation, the Compensation Committee has taken steps to close the competitive deficits in long-term compensation for our senior executives while at the same time recognizing the need to constrain cash compensation. The proposal would impair the Compensation Committee's ability to exercise this sort of business judgment to account for changes in our Company's needs, competitive market conditions and best practices.

**Compensation Paid to Senior Executives is Appropriate and Competitive.** We believe that the compensation paid to our senior leadership is appropriate and market competitive. Our executive compensation philosophy specifically provides that total direct compensation should be at a competitive median level. In addition, our Compensation Committee has put a number of measures in place to ensure that the compensation paid to our senior officers is not excessive. For example, the Compensation Committee regularly meets with its own external independent compensation consultant to discuss both the reasonableness and competitiveness of the compensation paid to our senior leadership. In addition, the total direct compensation of our senior officers is annually compared to national surveys using companies with gross revenues similar to Kodak's.

**Hinders Compensation Committee's Duties** Our Compensation Committee is required by the New York Stock Exchange (NYSE) rules and the Compensation Committee's charter to review and approve corporate goals and objectives relevant to CEO compensation, to evaluate the CEO's per-

formance in light of those goals and objectives and to determine and approve the CEO's compensation level based on this evaluation. The proposal's arbitrary cap would hinder the Compensation Committee's ability to fulfill its duties.

**Contrary to Company's Executive Compensation Principles** Our Executive Compensation Principles link closely the compensation of our senior officers with the achievement of annual and long-term performance goals. By imposing an arbitrary constraint on the compensation of our senior leadership, the proposal would undermine the performance-based nature of our executive compensation program and would limit the Compensation Committee's ability to design effective performance goals to retain and incent our senior leadership.

**Proposal is Ambiguous and Unworkable.** The proposal has fundamental flaws that make it unworkable. The proposal seeks to require that the Company limit all annual "remuneration" to \$500,000 per year but fails to adequately define the critical term "remuneration" or to specify how remuneration is to be valued. Likewise, the proposal provides no guidance as to how and when certain forms of non-salary compensation, such as stock options and restricted stock units, are to be valued for purposes of the \$500,000 annual limit on remuneration. Furthermore, the proposal provides insufficient guidance regarding the individuals to whom it is intended to apply. The proposal indicates that it applies to "the top five persons named in Management" but it "does not affect any other personnel of the company." The proposal, however, does not provide any instruction as to how the Company is to determine who is a "top five person named in Management."

***For the reasons described above, the Board of Directors recommends a vote AGAINST this proposal.***

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## n Board Structure and Corporate Governance

### INTRODUCTION

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Ethical business conduct and good corporate governance are not new practices at Kodak. The reputation of our Company and our brand has been built by more than a century of ethical business conduct. The Company and the Board have long practiced good corporate governance and believe it to be a prerequisite to providing sustained, long-term value to our shareholders. We continually monitor developments in the area of corporate governance and lead in developing and implementing best practices. This is a fundamental goal of our Board.

### CORPORATE GOVERNANCE GUIDELINES

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Our Corporate Governance Guidelines reflect the principles by which the Company operates. From time to time, the Board reviews and revises our Corporate Governance Guidelines in response to regulatory requirements and evolving best practices. In February 2004, our Board restated our Corporate Governance Guidelines to reflect changes in the NYSE's corporate governance listing standards. Early this year, the Board made several changes to the guidelines to enhance its governance practices. The changes are described on page 30 of this Proxy Statement. A copy of the Corporate Governance Guidelines is published on our website at [www.kodak.com/go/governance](http://www.kodak.com/go/governance).

### BUSINESS CONDUCT GUIDE AND DIRECTORS' CODE OF CONDUCT

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All of our employees, including the CEO, the CFO, the Controller, all other senior financial officers and all other executive officers, are required to comply with our long-standing code of conduct, the "Business Conduct Guide." The Business Conduct Guide requires our employees to maintain the highest ethical standards in the conduct of company business so that they and the Company are always above reproach. In 2004, our Board adopted a Directors' Code of Conduct. Both our Business Conduct Guide and our Directors' Code of Conduct are published on

our website at [www.kodak.com/go/governance](http://www.kodak.com/go/governance). We will post on this website any amendments to, or waivers of, the Business Conduct Guide or Directors' Code of Conduct. Our directors have begun the annual practice of certifying in writing that they understand and are in compliance with the Directors' Code of Conduct.

## BOARD INDEPENDENCE

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For a number of years, a substantial majority of our Board has been comprised of independent directors. In February 2004, the Board adopted Director Independence Standards to aid it in determining whether a director is independent. These Director Independence Standards, which are in compliance with the director independence requirements of the NYSE's corporate governance listing standards, are attached as Exhibit I to this Proxy Statement.

The Board has determined that each of the following directors has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and is independent under the Company's Director Independence Standards and, therefore, is independent within the meaning of the NYSE's corporate governance listing standards and the rules of the SEC: Richard S. Braddock, Martha Layne Collins, Timothy M. Donahue, Michael J. Hawley, William H. Hernandez, Durk I. Jager, Debra L. Lee, Delano E. Lewis, Paul H. O'Neill, Hector de J. Ruiz and Laura D'Andrea Tyson. The remaining director, Antonio M. Perez, Chairman of the Board and CEO, is an employee of the Company and, therefore, is not independent.

In the course of the Board's determination regarding the independence of each non-employee director, it considered any transactions, relationships and arrangements as required by the Company's Independence Standards. In particular, with respect to the most recent completed fiscal year, the Board considered:

- the annual amount of sales to the Company by the company where Mr. Donahue served as an executive officer, and determined that the amount of sales did not exceed the greater of \$1,000,000 or 2% of the consolidated gross revenues of that company and, therefore, were immaterial;
- the annual amount of purchases from the Company by the company where Mr. Hernandez serves as an executive officer, and determined that the amount of sales did not exceed the greater of \$1,000,000 or 2% of the consolidated gross revenues of that company and, therefore, were immaterial; and
- the amount of the Company's charitable contributions to a charitable organization where an immediate family member of Mr. Braddock serves as an executive officer, and determined that the Company's contributions were less than the greater of \$1,000,000 or 2% of the charitable organization's annual gross revenues and, therefore, were immaterial.

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## AUDIT COMMITTEE FINANCIAL QUALIFICATIONS

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The Board has determined that all members of its Audit Committee (William H. Hernandez, Durk I. Jager, Debra L. Lee and Delano E. Lewis) are independent and are financially literate as required by the NYSE, and that William H. Hernandez and Durk I. Jager possess the qualifications of an Audit Committee Financial Expert, as defined by SEC rules, and have accounting or related financial management expertise, as required by the NYSE.

## REVIEW, APPROVAL OR RATIFICATION OF TRANSACTIONS WITH RELATED PERSONS

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In February 2007, our Board, based on the recommendation of the Governance Committee, adopted written policies and procedures relating to approval or ratification of "interested transactions" with "related parties." Under these policies and procedures, which are posted on our website at [www.kodak.com/go/governance](http://www.kodak.com/go/governance), our Governance Committee is to review the material facts of all interested transactions that require the Governance Committee's approval. The Governance Committee will approve or disapprove of the interested transactions, subject to certain exceptions, by taking into account, among other factors it deems appropriate, whether the interested transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person's interest in the transaction. No

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director may participate in any discussion or approval of an interested transaction for which he or she is a related party. If an interested transaction will be ongoing, the Governance Committee may establish guidelines for our management to follow in its ongoing dealings with the related party and then at least annually must review and assess ongoing relationships with the related party.

Under the policies and procedures, an "interested transaction" is any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which the aggregate amount involved will or may be expected to exceed \$100,000 in any calendar year, the Company is a participant, and any related party has or will have a direct or indirect interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity). A "related party" is any person who is or was since the beginning of the last fiscal year for which we have filed a Form 10-K and proxy statement, an executive officer, director or nominee for election as a director (even if they presently do not serve in that role), any greater than 5% beneficial owner of the Company's common stock, or any immediate family member of any of the foregoing. Immediate family member includes a person's spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone residing in such person's home (other than a tenant or employee).

The Committee has reviewed and pre-approved certain types of interested transactions described below. In addition, our Board has delegated to the chair of the Governance Committee the authority to pre-approve or ratify (as applicable) any interested transaction with a related party in which the aggregate amount involved is expected to be less than \$500,000. Pre-approved interested transactions include:

- Employment of executive officers either if the related compensation is required to be reported in our proxy statement or if the executive officer is not an immediate family member of another executive officer or a director of our Company and the related compensation would be reported in our proxy statement if the executive officer was a "named executive officer" and our Compensation Committee approved (or recommended that the Board approve) such compensation.
- Any compensation paid to a director if the compensation is required to be reported in our proxy statement.
- Any transaction with another company with which a related person's only relationship is as an employee (other than an executive officer), director or beneficial owner of less than 10% of that company's shares, if the aggregate amount involved does not exceed the greater of \$1,000,000 or 2% of that company's total annual revenues.
- Any charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university with which a related person's only relationship is as an employee (other than an executive officer) or a director, if the aggregate amount involved does not exceed the greater of \$1,000,000 or 2% of the charitable organization's total annual receipts.
- Any transaction where the related person's interest arises solely from the ownership of the Company's common stock and all holders of our common stock received the same benefit on a pro rata basis (e.g., dividends).
- Any transaction involving a related party where the rates or charges involved are determined by competitive bids.
- Any transaction with a related party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.
- Any transaction with a related party involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services.

Using these policies and procedures, the Governance Committee reviewed two interested transactions with related parties that occurred during 2006. In both of these cases, the Committee determined that the related person did not have a material interest in the transaction and, therefore, there are no related party transactions that need to be disclosed in this Proxy Statement under the relevant SEC rules.

**BOARD OF DIRECTORS**

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**NOMINEES TO SERVE A ONE-YEAR TERM EXPIRING AT THE 2008 ANNUAL MEETING  
(CLASS II DIRECTORS)****MICHAEL J. HAWLEY** *Director since December 2004*

Dr. Hawley, 45, is the former Director of Special Projects at the Massachusetts Institute of Technology. Prior to assuming these duties in 2001, Dr. Hawley served as the Alex W. Dreyfoos Assistant Professor of Media Technology at the MIT Media Lab. From 1986 to 1995, he held a number of positions at MIT, including Assistant Professor, Media Laboratory; Assistant Professor, EECS; and Research Assistant, Media Laboratory. Dr. Hawley is the founder of Friendly Planet, a non-profit organization working to provide better educational opportunities for children in developing regions of the world. He is also a co-founder of Things That Think, a ground-breaking research program that examines the way digital media infuses itself into everyday objects. Dr. Hawley graduated from Yale University with a BS degree in Computer Science and Music and holds a Ph.D. degree from MIT. He is also a Director of Color Kinetics, a public company pioneering solid state lighting.

**WILLIAM H. HERNANDEZ** *Director since February 2003*

Mr. Hernandez, 58, is Senior Vice President, Finance, and CFO of PPG Industries, Inc., a diversified manufacturer of protective and decorative coatings, flat glass, fabricated glass products, continuous strand fiberglass, and industrial and specialty chemicals for a variety of industries. Prior to assuming his current duties in 1995, Mr. Hernandez served as PPG's Corporate Controller from 1990 to 1994 and as Vice President and Controller in 1994. From 1974 until 1990, Mr. Hernandez held a number of positions at Borg-Warner Corporation, including Assistant Controller, Chemicals; Controller, Chemicals; Business Director, ABS Polymers; Assistant Corporate Controller; Vice President, Finance; and CFO, Borg-Warner Automotive, Inc. Earlier in his career, he was a financial analyst for Ford Motor Company. Mr. Hernandez received a BS degree from the Wharton School of the University of Pennsylvania and an MBA from Harvard Business School. Mr. Hernandez is a Certified Management Accountant. Mr. Hernandez served as Director of Pentair, Inc. from July 2001 to November 2003.

**HECTOR DE J. RUIZ** *Director since January 2001*

Dr. Ruiz, 61, is Chairman and Chief Executive Officer of Advanced Micro Devices, Inc. Dr. Ruiz joined Advanced Micro Devices, Inc. in January 2000 as President and Chief Operating Officer, and was named Chief Executive Officer in April 2002. He was also appointed as Chairman of the Board in April 2004. Previously, Dr. Ruiz served as President of Motorola's Semiconductor Products Sector from 1997 to 2000. In his 22-year career with the technology firm, Dr. Ruiz held a variety of executive positions in the United States and overseas. He also worked at Texas Instruments in the company's research laboratories and manufacturing operations. Born in Piedras Negras, Mexico, Dr. Ruiz earned a BA and an MA in Electrical Engineering from the University of Texas, Austin. He earned his doctorate in Electrical Engineering from Rice University in 1973. Dr. Ruiz is passionate about the role of technology in education and empowering the underprivileged. At the 2004 World Economic Forum in Davos, he announced Advanced Micro Devices, Inc.'s 50x15 Initiative, a commitment to empower 50% of the world's population with basic internet access by the year 2015. Dr. Ruiz currently serves on the President's Council of Advisors for Science and Technology (PCAST). PCAST advises the President of the United States on issues related to technology, scientific research priorities, and math and science education. Dr. Ruiz also serves as Chairman of the Board of Spansion Inc., is a board member of the Semiconductor Industry Association (SIA), and serves on the Board of Trustees of Rice University.

**LAURA D'ANDREA TYSON** *Director since May 1997*

Dr. Tyson, 59, has been a professor at the Walter A. Haas School of Business at the University of California, Berkeley, since January 2007. From January 2002 to December 2006, she was the Dean of London Business School. She was formerly the Dean of the Walter A. Haas School of Business at the University of California, Berkeley, a position she held between July 1998 and December 2001. Previously, she was Professor and holder of the Class of 1939 Chair in Economics and Business Administration at the University of California, Berkeley, a position she held from January 1997 to July 1998. Prior to this position, Dr. Tyson served in the first Clinton Administration as Chairman of the President's National Economic Council and 16th Chairman of the White House Council of Economic Advisers. Prior to joining the Administra-

tion, Dr. Tyson was Professor of Economics and Business Administration, Director of the Institute of International Studies, and Research Director of the Berkeley Roundtable on the International Economy at the University of California, Berkeley. Dr. Tyson holds a BA degree from Smith College and a Ph.D. degree in Economics from the Massachusetts Institute of Technology. Dr. Tyson is the author of numerous articles on economics, economic policy and international competition. She is a Director of Morgan Stanley and AT&T.

**DIRECTORS CONTINUING TO SERVE A THREE-YEAR TERM EXPIRING AT THE 2008 ANNUAL MEETING (CLASS III DIRECTORS)**

**RICHARD S. BRADDOCK** *Director since May 1987*

Mr. Braddock, 65, is Chairman of MidOcean Partners, a private equity firm, a position he has held since December 2003. He is also Chairman of FreshDirect, an internet grocer. He is the former Chairman of priceline.com, a position he held from July 2000 to April 2004. He was CEO of priceline.com from July 1998 to June 2000 and from May 2001 to December 2002. He was Chairman of True North Communications from July 1997 to January 1999. He was a principal of Clayton, Dubilier & Rice from June 1994 until September 1995. From January 1993 until October 1993, he was CEO of Medco Containment Services, Inc. From January 1990 through October 1992, he served as President and COO of Citicorp and its principal subsidiary, Citibank, N.A. Prior to that, he served for approximately five years as Sector Executive in charge of Citicorp's Individual Bank, one of the financial service company's three core businesses. Mr. Braddock graduated from Dartmouth College with a degree in history, and received his MBA degree from the Harvard School of Business Administration. He is a director of Cadbury Schweppes PLC and Marriott International, Inc.

**DEBRA L. LEE** *Director since September 1999*

Ms. Lee, 52, is Chairman and CEO of BET Holdings, Inc. (BET), a media and entertainment company and a division of Viacom, Inc. She joined BET in 1986 as Vice President and General Counsel. In 1992, she was elected Executive Vice President of Legal Affairs and named publisher of BET's magazine division, in addition to serving as General Counsel. She was placed in charge of strategic business development in 1995. Ms. Lee holds a BA degree from Brown University and MA and JD degrees from Harvard University. She is affiliated with several professional and civic organizations. Ms. Lee is a director of WGL Holdings, Inc., Marriott International, Inc. and Revlon, Inc.

**DIRECTORS CONTINUING TO SERVE A ONE-YEAR TERM EXPIRING AT THE 2008 ANNUAL MEETING (CLASS I DIRECTORS)**