DIRECTOR COMPENSATION

Introduction

Our directors are compensated through a combination of cash retainers and equity-based incentives. Consistent with the Board's Director Compensation Principles, a substantial portion of director compensation is linked to our stock performance. In addition, directors can elect to receive their entire Board remuneration in stock based compensation. Our directors are required to keep all of the shares, net of any shares used to pay the exercise price when exercising an option, they receive as compensation until they own shares equal in market value to at least five times their annual retainer that is paid in cash.

Kodak does not pay management directors for Board service in addition to their regular employee compensation.

Director Compensation Principles

The Board has adopted the following director compensation principles, which are aligned with the Company's executive compensation principles:

- Pay should represent a moderately important element of Kodak's director value proposition.
- Pay levels should generally target near the market median and pay mix should be consistent with market considerations.
- Pay levels should be differentiated based on the time demands on some members' roles, and the Board will ensure regular rotation of certain of these roles.
- The program design should ensure that rewards are tied to the successful performance of Kodak stock, and the mix of pay should allow flexibility and Board diversity.
- To the extent practicable, Kodak's Director Compensation Principles should parallel the principles of the Company's executive compensation program.

Review

The Governance Committee, which consists solely of independent directors, has the primary responsibility for reviewing and considering any changes to the Board's compensation program. The Board reviews the Governance Committee's recommendation and determines the amount of director compensation.

In 2007, the Governance Committee completed a review of the Board's compensation program. In connection with this review, the Governance Committee retained Peal Meyer & Partners, independent compensation consultant, to competitively assess our director compensation relative to market trends and comparable peer companies. The last time such a review was initiated by the Governance Committee was in 2003.

The Governance Committee commenced its review by examining the current trends in director pay as presented by its independent compensation consultant, including: the current board landscape, board pay levels, structure of board pay, director pay mix, board equity pay, director pay mix, committee service and compensation, and stock ownership guidelines.

With this background in mind, the Governance Committee's independent compensation consultant conducted a competitive review of director pay levels and practices at peer companies. This analysis compared Kodak's Board compensation to competitive market data from a peer group of 20 companies. This peer group is the same group of companies that the Company uses to benchmark its share usage and fair value transfer for executive compensation purposes. The companies within this peer group were selected by the Compensation Committee's independent compensation consultant with input from Pearl Meyer & Partners. A primary goal in compiling the peer group was to have it be reflective of the Company's transformation to a digital technology company. Annual revenues of the companies within the peer group ranged from $5 billion to $94 billion, with the median being approximately $11 billion. The peer group consisted of the following companies:

- Advanced Micro Devices
- Agilent Technologies
- Arrow Electronics
- Jabil Circuit
- Lexmark International
- Micron Technology
- Solectron
- Sun Microsystems
- Texas Instruments

- Avaya
- Dover
- Flextronics International
- Hewlett-Packard
- Motorola
- NCR
- Sanmina-Sci
- Seagate Technology
- Unisys
- Western Digital
- Xerox

Based on this peer group, the Governance Committee's independent compensation consultant completed its review and reported that the Company's director compensation had fallen below the median compensation of its peer group and certain compensation components were no longer consistent with market practices. A summary of the independent compensation consultant's finding appears below:

- Total director compensation (defined as compensation for board service, not including committee service) was near the bottom of the peer group.
- Committee compensation is at the peer group median with the exception of the Audit Committee Chair, which is below the median.
- Director pay mix in terms of cash vs. equity and board pay vs. committee pay was nearly identical to the peer group median.
- The Company provides director benefits and perquisites not offered by most of the peer group.
- The Company's director stock ownership guidelines are in-line with the peer group.

Based on these findings, and by using the Board's Director Compensation Principles as a guide, the Governance Committee's independent compensation consultant developed various proposals to address the deficiencies identified during its review. After reviewing and considering these proposals, the Governance Committee made the following recommendations regarding the Board's compensation program which were approved by the Board at its November 14, 2007 meeting:

- Set the annual cash Board retainer at $70,000. Previously, non-employee directors annually received $80,000 as a retainer, at least half of which had to be taken in stock or deferred into stock units.
- Denominate the equity board retainer in dollars. Increase the annual equity retainer to $70,000 of full value shares of restricted stock and $70,000 of stock options. Previously, non-employee directors annually received 1,500 restricted shares of the Company's stock and 1,500 stock options.
- Continue a one-year vesting schedule on both stock and stock options.
- Increase the Audit Chair retainer from $15,000 to $20,000 per year.
- Eliminate the following director benefits and perquisites: life insurance, travel/accident insurance and personal liability insurance.
- Maintain the chair retainer of the Committee Chairs at $10,000 per year, with the exception of the Audit chair.
- Maintain the Presiding Director's retainer at $100,000 per year.

The changes to the equity retainer became effective on December 11, 2007. The remaining changes became effective as of January 1, 2008.

As a result of these changes, the annual cash and equity components of the Company's director compensation program are now as follows:

	Cash		Equity		
	Board Retainer (1)	Chair/Presiding Director Retainer (2)	Restricted Stock (3)	Stock Options (4)	Total
Director	$70,000	—	$70,000	$70,000	$210,000
Presiding Director	70,000	$100,000	70,000	70,000	310,000
Audit Committee Chair	70,000	20,000	70,000	70,000	230,000

Compensation Committee Chair	70,000	10,000	70,000	70,000	220,000
Finance Committee Chair	70,000	10,000	70,000	70,000	220,000
Governance Committee Chair	70,000	10,000	70,000	70,000	220,000

(1) Directors can elect to have their cash Board retainer paid in stock or deferred into the Directors Deferred Compensation Plan.

(2) The Committee Chairs and the Presiding Director may elect to have their retainers paid in stock or deferred into the Directors Deferred Compensation Plan.

(3) The restricted shares vest on the first anniversary of the date of grant. Directors who stop serving on the Board prior to vesting, forfeit their restricted shares, unless their cessation of service is due to retirement, approved reason or death, in which case the restrictions on the shares lapse on the date of the director's cessation of service. Directors may elect to defer their restricted shares into the Directors Deferred Compensation Plan.

(4) The exercise price of the options is the mean between the high and low price of our common stock on the date of grant. The options become exercisable on the first anniversary of the date of grant and expire seven years after grant. Directors who stop serving on the Board prior to vesting forfeit their unvested options, unless their cessation of service is due to retirement, approved reason or death. In the case of retirement and cessation for approved reason, the options continue to vest per their terms and remain exercisable for the remainder of the option's full term. In the case of death, the options fully vest upon death and remain exercisable by the directors' estate for the remainder of the option's full term.

Director Share Ownership Requirements

A director is not permitted to exercise any stock options or sell any restricted shares granted to him or her by the Company unless and until the director owns shares of stock in the Company (either outright or through phantom stock units in the Directors Deferred Compensation Plan) that have a value equal to at least five times the then maximum amount of the annual retainer, which may be taken in cash by the director (currently, this amount is $350,000).