

EASTMAN CHEMICAL CO  
Form 11-K  
June 28, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 11-K

(Mark  
One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

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

Commission file number 1-12626

A. Full Title of the plan and the address of the plan, if different from that of the issuer named  
below:

EASTMAN INVESTMENT AND EMPLOYEE STOCK OWNERSHIP PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal  
executive office:

EASTMAN CHEMICAL COMPANY  
200 S. Wilcox Drive  
Kingsport, Tennessee 37662

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Eastman Investment and Employee Stock Ownership Plan

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Note Other supplemental schedules required by Section 2520.10310 of the Department of Labor's Rules and  
A: Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have  
been omitted because they are not applicable.

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Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of the  
Eastman Investment and Employee Stock Ownership Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Eastman Investment and Employee Stock Ownership Plan (the "Plan") at December 31, 2011 and 2010 and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan'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 the standards of the Public Company Accounting Oversight Board (United States). Those standards 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 our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP  
Charlotte, North Carolina  
June 28, 2012

Eastman Investment and Employee Stock Ownership Plan  
 Statements of Net Assets Available for Benefits  
 December 31, 2011 and 2010  
 (in thousands)

	Participant Directed	2011 Non- participant Directed	Total	Participant Directed	2010 Non- participant Directed	Total
<b>Assets</b>						
Investments at fair value	\$ 1,544,516	\$ 99,486	\$ 1,644,002	\$ 1,572,764	\$ 116,925	\$ 1,689,689
<b>Receivables:</b>						
Plan sponsor contributions	30,738	4,405	35,143	29,415	4,166	33,581
Notes receivable from participants	37,240	0	37,240	37,063	0	37,063
Other receivables	2,941	653	3,594	3,629	949	4,578
<b>Total assets</b>	<b>1,615,435</b>	<b>104,544</b>	<b>1,719,979</b>	<b>1,642,871</b>	<b>122,040</b>	<b>1,764,911</b>
<b>Liabilities</b>						
Accrued expenses	21	17	38	43	36	79
Other liabilities	3,380	1,093	4,473	3,211	659	3,870
<b>Total liabilities</b>	<b>3,401</b>	<b>1,110</b>	<b>4,511</b>	<b>3,254</b>	<b>695</b>	<b>3,949</b>
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(23,935)	0	(23,935)	(14,577)	0	(14,577)
<b>Net assets available for plan benefits</b>	<b>\$ 1,588,099</b>	<b>\$ 103,434</b>	<b>\$ 1,691,533</b>	<b>\$ 1,625,040</b>	<b>\$ 121,345</b>	<b>\$ 1,746,385</b>

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



Eastman Investment and Employee Stock Ownership Plan  
Statements of Changes in Net Assets Available for Benefits  
For the Years Ended December 31, 2011 and 2010  
(in thousands)

	Participant Directed	2011 Non- participant Directed	Total	Participant Directed	2010 Non- participant Directed	Total
Additions to net assets:						
<b>Investment income</b>						
Interest	\$ 13,320	\$ 0	\$ 13,320	\$ 13,645	\$ 0	\$ 13,645
Dividends	22,384	2,560	24,944	19,283	2,653	21,936
Net appreciation (depreciation) in fair value of investments	(35,313)	(18,476)	(53,789)	131,312	22,245	153,557
Net investment gain (loss)	391	(15,916)	(15,525)	164,240	24,898	189,138
Interest income from notes receivable	1,597	0	1,597	1,756	0	1,756
Participant contributions	75,897	0	75,897	60,344	0	60,344
Plan sponsor contributions	33,315	4,405	37,720	31,115	4,166	35,281
<b>Total additions</b>	<b>111,200</b>	<b>(11,511)</b>	<b>99,689</b>	<b>257,455</b>	<b>29,064</b>	<b>286,519</b>
Deductions from net assets:						
<b>Distributions to and withdrawals by participants</b>						
	156,349	6,400	162,749	87,876	3,954	91,830
<b>Administrative expenses</b>						
	168	0	168	170	0	170
<b>Total deductions</b>	<b>156,517</b>	<b>6,400</b>	<b>162,917</b>	<b>88,046</b>	<b>3,954</b>	<b>92,000</b>
Net increase (decrease) in net assets						
	(45,317)	(17,911)	(63,228)	169,409	25,110	194,519
Plan transfer - Genovique	8,376	0	8,376	0	0	0
Net assets available for benefits at beginning of year						
	1,625,040	121,345	1,746,385	1,455,631	96,235	1,551,866
	\$ 1,588,099	\$ 103,434	\$ 1,691,533	\$ 1,625,040	\$ 121,345	\$ 1,746,385

Net assets available  
for plan benefits at  
end of year

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

Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

1. DESCRIPTION OF PLAN

The Eastman Investment and Employee Stock Ownership Plan (the "Plan") is a defined contribution plan of a controlled group of corporations consisting of Eastman Chemical Company and certain of its wholly-owned subsidiaries operating in the United States ("Eastman", the "Company" or the "Plan Sponsor"). The Plan is organized pursuant to Sections 401(a) and (k) and Section 4975(e) (7) of the Internal Revenue Code ("IRC"). All United States employees of Eastman, with the exception of certain limited service and special program employees, and employees covered by a collective bargaining agreement with the Company, unless the collective bargaining agreement or the Plan specifically provides for participation, are eligible to participate in the Plan on their first day of employment with Eastman. The Plan was adopted by Eastman, the Plan Sponsor, on January 1, 1994 and is subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plan is administered by the Investment Plan Committee ("IPCO"), which is the Plan Administrator and is comprised of Eastman employees. The Plan has trusts which are administered by the Fidelity Management Trust Company (the "Trustee"). The trusts include the Eastman Chemical Trust and the Eastman Stock Ownership Plan ("ESOP") Trust.

Money in the forfeiture account of the Plan is available to be used both to offset future Company contributions and for various administrative expenses of the Plan. The balance of the forfeiture account at December 31, 2011 and 2010 was \$46,104 and \$33,000, respectively. There were no forfeitures used in 2011 or 2010.

On or after January 1, 2007, each eligible employee hired by the Company will, in addition to the Retirement Savings Contribution ("RSC"), be automatically enrolled as a participant in the Eastman Investment Plan ("EIP") portion of the Plan. The participants will be deemed to have elected to defer 7% of their qualifying compensation each pay period to the EIP portion of the Plan, unless they affirmatively decline or they elect to contribute a percentage other than 7%. Each participant will also be eligible to receive a matching contribution from the Company equal to 50% of the first 7% of their pay that they contribute to the Plan each pay period. Plan participants may elect to enroll in an automatic annual increase program with an increase to deferral rates each year until the participant's deferral reaches 10%.

For additional information regarding the Plan, see the complete Plan documents.

Contributions and vesting

Contributions to the Plan are made through two separate provisions: (1) deferral of qualifying compensation and (2) contributions by the Plan Sponsor of cash or its common stock to the participants' accounts as determined by the Compensation and Management Development Committee of the Board of Directors of Eastman.



Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

The Plan includes a salary deferral provision allowing eligible employees to defer up to 40% of qualifying compensation, as defined in the Plan, up to the statutory limit of \$16,500 for 2011 as permitted by the IRC. For the catch-up salary deferral, an eligible employee who has attained age 50 before the close of the calendar year was allowed to defer up to 35% of qualifying compensation, as defined in the Plan, for 2011 up to certain IRC limitations. Plan Sponsor contributions are also subject to certain other limitations. Participants' salary deferrals are contributed to the Plan by Eastman on behalf of the participants. The Plan's Trustee invests amounts contributed to the Plan, as designated by the participant, in common stock of Eastman, various growth and income mutual funds, and/or interest in a guaranteed investment contract fund (see Notes 6 and 7). Generally, participants may transfer amounts among the funds on any business day. Additionally, participants may diversify amounts from their ESOP Fund account within the Plan (see Note 10). Each participant is at all times 100% vested in their account, with the exception of amounts transferred from other plans, which continue to be subject to the former plans' vesting requirements.

The Plan requires for the RSC to be contributed either to the ESOP Fund for employees' first five RSC contributions or into other Plan funds, as directed by the participant, for participants with more than five RSC contributions. For participants with more than five RSC contributions, the RSC is allocated to participant-directed funds in accordance with each participant's investment elections at such time as the RSC is made.

For employees hired on or after January 1, 2007, each participant is eligible to receive a matching contribution from the Company equal to 50% of the first 7% of their pay that they contribute to the Plan each pay period. Contributions are invested into other Plan funds, as directed by the participants.

Plan Sponsor contributions may be paid at any time during the plan year and subsequent to such plan year through the due date for filing the Company's federal income tax return, including any extensions. Contributions may be paid to the ESOP Fund in cash or shares of Eastman common stock and are deposited in the Company contribution account. Allocations to the participants' accounts from the Company contribution account will be made each plan year to participants who are eligible employees on the date designated by the Company. Participants are not permitted to make contributions to the ESOP Fund.

Employees may elect to transfer, into any of the Plan's fund options, balances received from (1) lump sum payouts from the Eastman Retirement Assistance Plan, a qualified defined benefit plan also sponsored by Eastman Chemical Company, (2) a former employer's 401(a) and 401(k) plan, or (3) an employee's individual retirement account containing amounts received from a qualified defined contribution plan under Section 401(a) and 401(k) of the IRC. All rollover contributions into the Plan must meet the applicable Internal Revenue Code ("IRC") requirements.

Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

Notes receivable from participants

The IPCO may grant a note receivable (loan) of at least \$1,000 to a participant provided that the aggregate of the participant's notes receivable does not exceed the lesser of (1) \$50,000 reduced by the excess, if any, of (a) the participant's highest notes receivable balance from the preceding 12 months over (b) the outstanding total notes receivable balance from the Plan on the date on which the notes receivable was made, or (2) 50% of the non-forfeitable portion of the participant's account. In accordance with the Plan provisions, the rate of interest on new participant notes receivable approximates current market rates. The term of any notes receivable from participants is determined by IPCO and shall not exceed five years. Notes receivable from participants transferred to the Plan from the Eastman Resins, Inc. Employees' Growth Sharing Plan carry terms applicable under that Plan. At December 31, 2011, \$37.2 million in notes receivable from participants were outstanding for terms of 3 to 62 months and interest rates ranging from 4.25% to 10.50%. At December 31, 2010, \$37.1 million in notes receivable from participants were outstanding for terms from 2 to 63 months and interest rates ranging from 4.25% to 10.50%.

Distributions

Distributions from the Plan require the approval of IPCO or its designee and are made under the following circumstances:

- Upon attaining age 59½, a participant may elect to receive a lump sum cash distribution of their total or partial account value while still actively employed.
- Upon separation of service from Eastman for any reason except death, the full value of a participant's account is distributed in a lump sum payment for those participants whose account value is less than or equal to \$1,000. Separated participants with accounts in excess of \$1,000 may elect either (1) to defer distribution until a later date but, in no event, later than April 1 of the calendar year following the year a participant attains age 70½ or (2) an immediate lump-sum distribution of the participant's account or, at the election of the participant, distributions in monthly or annual installments. Participants in the Eastman Stock Fund or ESOP Fund may elect a lump sum distribution in Eastman common stock.
- In the event of death, the value of a participant's account is paid in a lump sum if the designated beneficiary is not the surviving spouse or if the account value is less than or equal to \$1,000. If the beneficiary is a surviving spouse and the participant account value exceeds \$1,000, payment will be made in either a lump-sum amount or, at the election of the surviving spouse, in monthly or annual installments.
- Distributions to participants shall commence in the year following the year a participant attains age 70½, unless the participant is still actively employed with the Company.
- Approval of hardship withdrawals will only be granted in order to meet obligations relating to the payment of substantial out-of-pocket medical expenses, the purchase of a primary residence, the payment of tuition or other post-secondary educational expenses, or payments to prevent eviction or foreclosure. They are also granted for payment of funeral expenses for a deceased parent, spouse or child of the participant, or payment of expenses for repair or damage to the participants' principal residence. Hardship withdrawals may not exceed the value of the participant's accounts in the Plan on the date of withdrawal.



Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

- The Trustee is authorized to honor qualified domestic relation orders issued and served in accordance with Section 414(p) of the IRC.

#### Investment of ESOP Fund Assets

ESOP Fund assets are invested primarily in Eastman common stock. However, at IPCO's discretion, funds may also be invested in other securities or held in cash.

Investment assets can be acquired by the ESOP Fund in three ways:

- The Company may make a direct contribution of cash to the ESOP Fund, which would then be used to purchase Eastman common stock or other securities.
- The Company may contribute shares of Eastman common stock directly to the ESOP Fund.
- The Company may direct the Trustee to obtain a loan to purchase securities (i.e., leveraged ESOP). Until the loan is repaid, securities acquired with the respective loan process are not available to be allocated to participants' accounts and are maintained in a "Loan Suspense Account". On the last day of each plan year, a proportionate share of securities relating to loan amounts which have been repaid will be transferred out of the Loan Suspense Account and allocated to the accounts of ESOP Fund participants. The ESOP Fund currently is not a leveraged ESOP.

#### Dividends attributable to the ESOP Fund

IPCO may direct that Eastman common stock dividends attributable to the non-participant directed ESOP Fund be (a) allocated to the accounts of participants, (b) paid in cash to the participants on a nondiscriminatory basis, or (c) paid by the Company directly to participants. Alternatively, dividends received from Eastman common stock maintained in the Loan Suspense Account may be applied to reduce the related loan balance.

#### Allocations to participants' ESOP Fund accounts

Separate participant accounts are established to reflect each participant's interest in the ESOP Fund and are maintained under the unit value method of accounting. The ESOP Fund account maintained for each participant consists of:

- Plan Sponsor contributions made or invested in shares of Eastman common stock.
- Shares of Eastman common stock purchased with assets transferred to the ESOP Fund pursuant to the spin-off from Eastman Kodak Company and/or acquired with the proceeds of a loan released from the Loan Suspense Account.
- An allocable share of short-term interest and money market funds held in the ESOP Fund for purposes of payment of expenses and similar purposes.
- After-tax contributions transferred to the ESOP Fund pursuant to the spin-off from Eastman Kodak Company (such after-tax contributions are no longer permitted under the ESOP provisions).



Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

The number of units allocated to a participant's account in any year is based on the ratio of the participant's compensation to the total compensation of all eligible employees entitled to share in the allocation for that plan year. In any year in which a Company contribution is made, a participant's allocation will not be less than one share of stock.

Federal law limits the total annual contributions that may be made on a participant's behalf to all defined contribution and defined benefit plans offered by the Company. Participants will be notified if their total annual contribution is limited by this legal maximum.

## 2. SUMMARY OF ACCOUNTING POLICIES

The following accounting policies, which conform to accounting principles generally accepted in the United States of America ("USGAAP"), have been used consistently in the preparation of the Plan's financial statements.

### Basis of accounting

The Plan's financial statements are prepared on the accrual basis of accounting.

As described by USGAAP, investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by USGAAP, the Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

On August 5, 2011, the Plan Sponsor's Board of Directors declared a two-for-one split of the Company's common stock in the form of a 100 percent stock dividend. Stockholders of record as of September 15, 2011, were issued one additional share of common stock on October 3, 2011, for each share held. Treasury shares were treated as shares outstanding in the stock split. All shares in these financial statements have been adjusted for all periods presented for the stock split.

Certain items in prior year's financial statements have been reclassified to conform to the current year's presentation.

### Use of estimates

The preparation of financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

Investment policy and valuation

The Plan's investments are stated at fair value. If available, quoted market prices are used to value investments. Investments in regulated investment companies are valued at the net asset value per share on the valuation date. Accrued interest, if any, on the underlying investments is added to the fair value of the investments for presentation purposes. See Note 8 for discussion of fair value measurements.

For investments in the ESOP fund and the Eastman Stock Fund, the Trustee may keep any portion of participant and Plan Sponsor contributions temporarily in cash or liquid investments as it may deem advisable. All dividends, interest or gains derived from investment in each fund are reinvested in the respective fund by the Trustee.

The Managed Income Fund is reported at fair value as determined by the contract issuers. The Managed Income Fund is comprised of synthetic investment contracts that include interests in commingled trusts or individual fixed income securities that are held in trust for the Plan. The Plan then enters into a benefit responsive wrapper contract with a third party such as a financial institution or an insurance company which guarantees the Plan a specific value and rate of return. The underlying securities are valued at quoted market prices. The wrap contracts are valued using the market value method (see Note 7).

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned. Dividend income is recorded at the ex-dividend date.

The Plan presents in the Statements of Changes in Net Assets Available for Benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

Notes receivable from participants

Notes receivable from participants are valued at their unpaid principal balance plus any accrued but unpaid interest.

Payments to participants

Benefit payments to participants are recorded when paid.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued guidance, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements". The guidance is intended to improve the comparability of fair value measurements presented and disclosed in financial statements. The amendments are of two types: (1) those that clarify the Board's intent about the application of existing fair value measurement and disclosure requirements and (2) those that change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The update is effective for annual periods beginning after December 15, 2011. Plan management has concluded that the new guidance will not have a material impact on the Plan's financial statements.

Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

3. RISKS AND UNCERTAINTIES

Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant account balances and the amounts reported in the financial statements.

4. CONTRIBUTIONS

Participant contributions represent qualifying compensation and other qualifying employee bonuses withheld from participating employees by Eastman and contributed to the Plan. Contributions are invested in the Plan's funds as directed by the participants, with the exception of the ESOP Fund, subject to ERISA funding limitations. The Plan has accrued Company contributions for participant-directed funds of \$30.7 million and \$29.4 million and for the non-participant-directed ESOP Fund of \$4.4 million and \$4.2 million at December 31, 2011 and 2010, respectively.

5. NOTES RECEIVABLE FROM PARTICIPANTS

The Plan Trustee makes loans to participants in accordance with Plan provisions. The loans are reflected as notes receivable from participants. Notes receivable from participants are accounted for as a transfer from the fund directed by the participant to the Notes Receivable from Participants Fund. The principal portion of participant repayments reduces the Notes Receivable from Participants Fund receivable. The principal and interest repaid are directed to funds to which the participant's current contributions are directed; the principal is accounted for as a transfer and the interest accounted for as income in the fund to which the participant's current contributions are directed. The Notes Receivable from Participants Fund's net assets and other changes in net assets are included in the participant-directed funds in the Statements of Net Assets and Changes in Net Assets Available for Benefits, respectively. Notes receivable from participants are valued at their unpaid principal balance plus any accrued but unpaid interest.

Unless otherwise specified by the participant, the proceeds of new notes receivable will be withdrawn from the investment funds on a pro-rata basis. Outstanding notes receivable from participants at December 31, 2011 and 2010 were approximately \$37.2 million and \$37.1 million, respectively. Interest income earned on notes receivable from participants is credited directly to the participants' accounts and was approximately \$1.6 million and \$1.8 million for 2011 and 2010, respectively.



Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

## 6. INVESTMENTS

At December 31, 2011 and 2010, the Plan's assets were invested in Eastman Chemical Company common stock, mutual funds, and synthetic investment contracts (see [Note 7](#)). Subject to certain limitations, participants are provided the option of directing their contributions among the investment options. The Plan also holds an interest in the non-participant directed Eastman ESOP Fund, which invests in Eastman Chemical Company common stock and short-term interest funds. The following table presents the fair value of investments by type at December 31, 2011 and 2010, respectively.

(in thousands)	2011	2010
Cash	\$ 4,166	\$ 2,062
Eastman Chemical Company common stock	259,151	212,601
Mutual funds	690,435	755,106
Managed income fund	672,791	702,826
Self-directed brokerage account	17,459	17,094
<b>Total</b>	<b>\$ 1,644,002</b>	<b>\$ 1,689,689</b>

The following investment options, which invest primarily in common stock of the Plan Sponsor, were available to participants in 2011 and 2010:

### Eastman Stock Fund

This participant-directed fund consists primarily of Eastman Class A common stock. Purchases and sales of Eastman common stock are generally made on the open market on behalf of and as elected by Plan participants. During 2011, the Trustee purchased 6,316,400 shares of Eastman common stock for the fund at an average price of \$44.35 per share, and sold 4,470,800 shares of Eastman common stock for the fund at an average price of \$46.31 per share. During 2010, the Trustee purchased 4,960,200 shares of Eastman common stock for the fund at an average price of \$31.22 per share and sold 5,932,600 shares at an average price of \$33.02 per share. Dividends paid from the Eastman Stock Fund totaled \$3.3 million and \$2.9 million in 2011 and 2010, respectively.

### Eastman ESOP Fund

This non-participant directed fund consists primarily of Eastman Class A common stock. Purchases and sales of Eastman common stock are generally made on the open market, on behalf of its participants and as directed by the Plan's guidelines. During 2011, the Trustee purchased 93,800 shares of Eastman common stock for the fund at an average price of \$45.86 per share, and sold 307,900 shares of Eastman common stock for the fund at an average price of \$46.71 per share. During 2010, the Trustee purchased 148,600 shares of Eastman common stock for the fund at an average price of \$29.41 per share, and sold 381,800 shares at an average price of \$35.12 per share.

1 Shares and share prices have been retrospectively adjusted for all periods presented for the two-for-one stock split on October 3, 2011. For additional information, see [Note 2](#), "Summary of Accounting Policies", to the Plan's financial statements.



Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

At December 31, 2011 and 2010, the following investments represented 5% or greater of ending net assets:

(in thousands)	December 31, 2011	
	Shares	Fair value
Eastman Chemical Company Common Stock, Participant Directed	4,110	\$ 160,520
Eastman Chemical Company Common Stock, Non Participant Directed	2,525	98,631
Fidelity Contrafund	1,639	110,461
PIMCO Total Return Institutional Class	8,135	88,426

(in thousands)	December 31, 2010	
	Shares <sup>1</sup>	Fair value
Eastman Chemical Company Common Stock, Participant Directed	10,148	\$ 96,403
Eastman Chemical Company Common Stock, Non Participant Directed	11,730	116,198
Fidelity Contrafund	1,858	125,766
Fidelity Short-term MM fund	--	94,333
PIMCO Total Return Institutional Class	8,388	91,010

During 2011 and 2010, the Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) as follows:

(in thousands)	2011	2010
Eastman Chemical Company Common Stock, Non Participant Directed	\$ (18,476)	\$ 22,245
Eastman Chemical Company Common Stock, Participant Directed	(7,717)	39,068
Mutual Funds and Other	(27,596)	92,244
Total	\$ (53,789)	\$ 153,557

<sup>1</sup> Shares and share prices have been retrospectively adjusted for all periods presented for the two-for-one stock split on October 3, 2011. For additional information, see [Note 2](#), "Summary of Accounting Policies", to the Plan's financial statements.

Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

7. INSURANCE CONTRACTS

The Plan invests in the Managed Income Fund (the "Fund"), which invests in synthetic investment contracts. The term "synthetic" investment contract is used to describe a variety of investment contracts under which a Plan retains ownership of the invested assets, or owns units of an account or trust which holds the invested assets. A "synthetic" investment contract, also referred to as a "wrap" contract, is negotiated with an independent financial institution. Under the terms of these investment contracts, the contract issuer ensures the Plan's ability to pay eligible employee benefits at book value. The investment performance of a synthetic investment contract may be a function of the investment performance of the invested assets.

A wrap contract is an agreement by another party, such as a bank or insurer, to make payments to the Fund in certain circumstances. Wrap contracts are designed to allow a stable value fund, such as the Fund, to maintain a constant net asset value ("NAV") and to protect the Fund in extreme circumstances. In a typical wrap contract, the wrap issuer agrees to pay the Fund the difference between the contract value and the market value of the covered assets once the market value has been totally exhausted. Though relatively unlikely, this could happen if the Fund experiences significant redemptions (redemption of most of the Fund's shares) during a time when the market value of the Fund's covered assets are below their contract value, and market value is ultimately reduced to zero. If that occurs, the wrap issuer agrees to pay the Fund an amount sufficient to cover shareholder redemptions and certain other payments (such as fund expenses), provided all the terms of the wrap contract have been met. Purchasing wrap contracts is similar to buying insurance, in that the Fund pays a relatively small amount to protect against a relatively unlikely event (the redemption of most of the shares of the Fund). Fees paid by the Fund for wrap contracts are a component of the Fund's expenses.

Wrap contracts accrue interest using a formula called the "crediting rate." Wrap contracts use the crediting rate formula to convert market value changes in the covered assets into income distributions in order to minimize the difference between the market and contract value of the covered assets over time. Using the crediting rate formula, an estimated future market value is calculated by compounding the Fund's current market value at the Fund's current yield to maturity for a period equal to the Fund's duration. The crediting rate is the discount rate that equates the estimated future market value with the Fund's current contract value. Crediting rates are reset quarterly. The wrap contracts provide a guarantee that the crediting rate will not fall below zero percent.

The crediting rate, and hence the Fund's return, may be affected by many factors, including purchases and redemptions by shareholders. The precise impact on the Fund depends on whether the market value of the covered assets is higher or lower than the contract value of those assets. If the market value of the covered assets is higher than their contract value, the crediting rate will ordinarily be higher than the yield of the covered assets. Under these circumstances, cash from new investors will tend to lower the crediting rate and the Fund's return, and redemptions by existing shareholders will tend to increase the crediting rate and the Fund's return.

Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

The Fund and the wrap contracts purchased by the Fund are designed to pay all participant-initiated transactions at contract value. Participant-initiated transactions are those transactions allowed by the underlying defined contribution plan (typically this would include withdrawals for benefits, loans, or transfers to non-competing funds within the Plan). However, the wrap contracts limit the ability of the Fund to transact at contract value upon the occurrence of certain events. These events include:

- The Plan's failure to qualify under Section 401(a) or Section 401(k) of the IRC.
- The establishment of a defined contribution plan that competes with the Plan for employee contributions.
- Any substantive modification of the Plan or the administration of the Plan that is not consented to by the wrap issuer.
  - Complete or partial termination of the Plan.
- Any change in law, regulation or administrative ruling applicable to the Plan that could have a material adverse effect on the Fund's cash flow.
  - Merger or consolidation of the Plan with another plan, the transfer of Plan assets to another plan, or the sale, spin-off or merger of a subsidiary or division of the Plan Sponsor.
- Any communication given to participants by the Plan Sponsor or any other Plan fiduciary that is designed to induce or influence participants not to invest in the Fund or to transfer assets out of the Fund.
  - Exclusion of a group of previously eligible employees from eligibility in the Plan.
  - Any early retirement program, group termination, group layoff, facility closing, or similar program.
    - Any transfer of assets from the Fund directly to a competing option.

At this time, the occurrence of any of these events is not considered probable by IPCO.

The average yields for the Fund for the years ended December 31, 2011 and 2010 are as follows:

Average yields:	2011	2010
Based on actual earnings	1.91 %	2.20 %
Based on interest rate credited to participants	2.13 %	1.94 %

The weighted average crediting interest rate for the Fund was 2.21% and 1.98% at December 31, 2011 and 2010, respectively.

The value of the Fund reflected in these financial statements is based upon the principal invested and the interest credited. The fair value of the Fund, by investment type, as of December 31, 2011 and 2010 was as follows:

(in thousands)	2011	2010
Security backed investments:		
Underlying assets at fair value	\$ 672,791	\$ 702,826
Wrap contracts	(23,935)	(14,577)
Total contract value	\$ 648,856	\$ 688,249



Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

8. FAIR VALUE MEASUREMENT

USGAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under USGAAP are described below:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 – Unobservable inputs based on the Plan's assumptions used to measure assets and liabilities at fair value.

A financial instrument's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value ("NAV") of shares held by the Plan at year end.

Synthetic investment contract: Valued at fair value by discounting the related cash flows based on the current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Self-directed brokerage account: Unit valuation based on the underlying NAV of the investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2011 and December 31, 2010:

(in thousands)

Description	December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash	\$ 4,166	\$ 4,166	\$ --
Common stock	259,151	259,151	--
Mutual funds:			
Balanced/hybrid	46,865	46,865	--
Bond funds	88,426	88,426	--
International	56,057	56,057	--
Large blend	77,096	77,096	--
Large growth	184,650	184,650	--
Mid blend	17,024	17,024	--
Mid growth	26,213	26,213	--
Small blend	88,656	88,656	--
Target date funds	105,448	105,448	--
Managed income fund	672,791	--	672,791
Self-directed brokerage account	17,459	17,459	--
<b>Total</b>	<b>\$ 1,644,002</b>	<b>\$ 971,211</b>	<b>\$ 672,791</b>

(in thousands)

Description	December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash	\$ 2,062	\$ 2,062	\$ --
Common stock	212,601	212,601	--
Mutual funds:			
Balanced/hybrid	49,910	49,910	--
Bond funds	91,010	91,010	--
International	72,904	72,904	--
Large blend	83,275	83,275	--
Large growth	212,326	212,326	--



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Mid blend	19,113	19,113	--
Mid growth	30,010	30,010	--
Money market	19	19	---
Small blend	102,231	102,231	--
Target date funds	94,308	94,308	--
Managed income fund	702,826	--	702,826
Self-directed brokerage account	17,094	17,094	--
Total	\$ 1,689,689	\$ 986,863	\$ 702,826

There are no redemption restrictions on the mutual fund investments. They are fully liquid and can be redeemed on a daily basis. Also, there are no Level 3 investments at December 31, 2011 and 2010.

Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

9. OTHER RECEIVABLES AND OTHER LIABILITIES

Other receivables in the amount of \$3.6 million and \$4.6 million at December 31, 2011 and 2010, respectively, represent interest and dividends receivable, as well as receivables from the sale of investments. Other liabilities in the amount of \$4.5 million and \$3.9 million at December 31, 2011 and 2010, respectively, represent liabilities from the purchase of investments.

10. DIVERSIFICATION FROM ESOP FUND

A participant may direct that all or any portion of his ESOP Fund account be transferred to other funds in the Plan without restrictions. During 2011 and 2010, \$9.6 million and \$10.2 million, respectively, were transferred from the ESOP Fund within the Plan in connection with this program.

11. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of termination, participant accounts will be distributed to individual participants in accordance with the Plan document and ERISA provisions.

12. FEDERAL INCOME TAX STATUS

The Plan obtained its latest determination letter in May 2003, in which the IRS stated that the Plan is in compliance with the applicable requirements of the IRC. A new determination letter request for the Plan was filed with the IRS in January 2010. The Plan has received acknowledgement from the IRS, but as of the filing date a new determination letter has not been received. Although the Plan has been amended since receiving the determination letter, the Plan Administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and therefore believe that the Plan is qualified and the related trust is tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

USGAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions by the Plan, and has concluded that as of December 31, 2011 and 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2007.

Eastman Investment and Employee Stock Ownership Plan  
Notes to Financial Statements

## 13. PLAN EXPENSES

Reasonable expenses of administering the Plan, unless paid by the Company, shall be paid by the Plan. For both 2011 and 2010, trustee fees associated with the Eastman Stock Fund and the Eastman ESOP Fund were paid with assets of those individual funds. Brokerage fees, transfer taxes, investment fees and other expenses incidental to the purchase and sale of securities and investments shall be included in the cost of such securities or investments or deducted from the sales proceeds. Administration fees for notes receivable from participants are deducted quarterly from the accounts of participants with outstanding notes receivable balances. Origination fees from notes receivable from participants are deducted from the participant's account at the inception of the note receivable. For 2011 and 2010, the Company paid all other expenses of the Plan related to plan oversight and administration, including audit fees.

## 14. RELATED PARTIES

Certain Plan investments are shares of mutual funds managed by the Trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions, which are exempt from prohibited transaction rules. The Plan also invests in the common stock of the Plan Sponsor as well as notes receivable from Plan participants, both of which qualify as parties-in-interest to the Plan and are exempt from prohibited transaction rules.

## 15. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

(in thousands)	December 31, 2011	December 31, 2010
Investments at fair value	\$ 1,644,002	\$ 1,689,689
Notes receivable from participants	37,240	37,063
Adjustment from fair value to contract value for full benefit-responsive investment contracts	(23,935)	(14,577)
Total investments per Form 5500	\$ 1,657,307	\$ 1,712,175

## 16. SUBSEQUENT EVENTS

Eastman Chemical Company had previously acquired Eastman Chemical Texas City, Inc., formerly Sterling Chemicals, Inc., which adopted the Sterling Chemicals, Inc. Savings and Investment Plan (the "Sterling Plan") effective June 1, 2010. The Sterling Plan was originally established effective August 1, 1986 and effective April 2, 2012, is being merged with and into the Eastman Investment and Employee Stock Ownership Plan. The Sterling Plan had net assets of approximately \$45.8 million as of December 31, 2011.

Supplemental Schedule

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Eastman Investment and Employee Stock Ownership Plan  
 Schedule H, Line 4 (i) – Schedule of Assets (Held at End of Year)  
 December 31, 2011  
 (in thousands)

(a)	(b)	(c)	(d)	(e)
Identity of issue, borrower, lessor, or similar party	Description of investment, including maturity date, rate of interest, collateral, par or maturity value	Historical Cost	Current Value	
* Eastman Chemical Company	Common stock, Participant directed, 8,984 shares	**	\$160,520	
* Eastman Chemical Company	Common stock, Non Participant directed, 5,333 shares	\$65,123	98,631	
Subtotal - Common Stock				259,151
* Fidelity Management Trust Company	Interest Bearing Cash, Participant directed	3,311	3,311	
* Fidelity Management Trust Company	Interest Bearing Cash, Non Participant directed	855	855	
Subtotal – Cash				4,166
* Fidelity Fund K	Registered Investment Company, 1,025 shares	**	31,911	
* Fidelity Puritan Fund K	Registered Investment Company, 2,651 shares	**	46,865	
* Fidelity Magellan® Fund K	Registered Investment Company, 770 shares	**	48,457	
* Fidelity Contrafund K	Registered Investment Company, 1,639 shares	**	110,461	
* Fidelity Spartan 500 Index Portfolio	Registered Investment Company, 776 shares	**	34,524	
* Fidelity International Discovery Fund K	Registered Investment Company, 1,192 shares	**	32,812	
* Fidelity Blue Chip Growth Fund K	Registered Investment Company, 474 shares	**	20,140	
* Fidelity Freedom Income Fund	Registered Investment Company, 325 shares	**	3,672	
* Fidelity Freedom K 2000 Fund	Registered Investment Company, 223 shares	**	2,550	
* Fidelity Freedom K 2005 Fund	Registered Investment Company, 78 shares	**	931	
* Fidelity Freedom K 2010 Fund	Registered Investment Company, 759 shares	**	9,186	
* Fidelity Freedom K 2015 Fund	Registered Investment Company, 802 shares	**	9,725	
* Fidelity Freedom K 2020 Fund	Registered Investment Company, 2,145 shares	**	26,667	
* Fidelity Freedom K 2025 Fund	Registered Investment Company, 833 shares	**	10,358	
* Fidelity Freedom K 2030 Fund	Registered Investment Company, 1,544 shares	**	19,363	
* Fidelity Freedom K 2035 Fund		**	4,223	

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	Registered Investment Company, 337 shares		
* Fidelity Freedom K 2040 Fund	Registered Investment Company, 797 shares	**	10,024
* Fidelity Freedom K 2045 Fund	Registered Investment Company, 256 shares	**	3,242
* Fidelity Freedom K 2050 Fund	Registered Investment Company, 435 shares	**	5,508
* Fidelity Retirement Money Market	Registered Investment Company, 20 shares	**	0
* Fidelity Spartan Extended Market Index Portfolio	Registered Investment Company, 480 shares	**	17,024
* Fidelity Spartan International Index Fund	Registered Investment Company, 280 shares	**	8,332
* Clipper Fund	Registered Investment Company, 171 shares	**	10,660
* PIMCO Total Return Institutional Class	Registered Investment Company, 8,135 shares	**	88,426
* Franklin Small Mid Cap Growth Fund	Registered Investment Company, 750 shares	**	26,213
* WFA Small Cap Val Inst	Registered Investment Company, 816 shares	**	24,370
* TCW Select Equity I	Registered Investment Company, 315 shares	**	5,592
* Neuberger and Berman Genesis Instl Cl	Registered Investment Company, 1,385 shares	**	64,286
* Templeton Foreign Fund	Registered Investment Company, 2,549 shares	**	14,913
Sub-total Mutual Funds			690,435

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Eastman Investment and Employee Stock Ownership Plan  
 Schedule H, Line 4 (i) – Schedule of Assets (Held at End of Year)  
 December 31, 2011  
 (in thousands)

(a)	(b)	(c)	(d)	(e)
Identity of issue, borrower, lessor, or similar party	Description of investment, including maturity date, rate of interest, collateral, par or maturity value	Historical Cost	Current Value	
Fidelity short term cash fund	Cash	**	2,689	
AT&T Inc	Corporate Bond 2.5% 8/15/15	**	1,913	
AT&T Inc	Corporate Bond 2.95% 5/15/16	**	727	
AT&T Inc	Corporate Bond 2.4% 8/15/16	**	686	
Abbey National	Corporate Bond 3.875% 11/10/14 144A	**	1,445	
ALABAMA POWER	Corporate Bond 4.85% 12/15/12	**	642	
ALLYA2010-1 A3	Mortgage backed security 1.45% 5/14	**	550	
ALLYA 2011-3 A3	Mortgage backed security 0.97% 8/15	**	868	
ALLYA 10-4 A3 ABS	Mortgage backed security .91% 11/17/14	**	950	
ALLYA 2010-5 A3	Mortgage backed security 1.11 1/15	**	842	
ALLYA 2011-1 A3	Mortgage backed security 1.45 1/15	**	794	
ALLYA 2011-2 A3	Mortgage backed security 1.18% 4/15	**	692	
ALLYA 2011-5 A2	Mortgage backed security 0.8% 6/14	**	600	
ALLYA 2011-4 A2	Mortgage backed security .65% 3/14	**	250	
American Express CC	Corporate Bond 2.75% 9/15/15	**	1,318	
American Honda	Corporate Bond 2.375% 3/13 144A	**	306	
American Honda	Corporate Bond 2.5% 9/21/15 144A	**	667	
AIG INTL	Corporate Bond 4.25% 9/15/14	**	984	
Americredit Prime Automobile Receivable APART 2007-1 C	Mortgage backed security 5.43% 2/14	**	141	
ANHEUSER BUSCH	Corporate Bond 1.5% 7/14/14	**	644	
BB&T CORP MTN B/E	Corporate Bond 3.2% 3/15/16	**	705	
BG ENERGY	Corporate Bond 2.875% 10/16 144A	**	668	
BHP BILLITON FIN	Corporate Bond 1.125% 11/14	**	1,004	
BP CAPITAL MARKET	Corporate Bond 3.2% 3/11/16	**	730	
BMWLT 2010-1 A3	Mortgage backed security 1.18% 4/13	**	920	
BNP Paribas	Corporate Bond 2.125% 12/21/12	**	409	
BMWLT 2011-1 A3	Mortgage backed security 1.06% 2/14	**	1,011	
BMWOT 2011-A A2	Mortgage backed security .63% 2/14	**	839	
BALTIMORE G&E	Corporate Bond 6.125% 7/01/13	**	536	
Bank of America Commercial Mortgage BACM 2005-3 XP	Interest Only Strip CSTR 7/43	**	18	
Bank of America Commercial Mortgage BACM 2004-4 A5	Mortgage backed security 4.576% 7/42	**	226	
Bank America	Corporate Bond 4.5% 4/1/15	**	1,782	
Bank America FDG	Corporate Bond 3.7% 9/1/15	**	1,843	
BAAT 2010-2 A3	Mortgage backed security 2.4% 7/14	**	796	
Bank of New York MTN	Corporate Bond 4.3% 5/15/14	**	330	
BONY MELLON MTN	Corporate Bond 1.7% 11/24/14	**	669	





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Eastman Investment and Employee Stock Ownership Plan  
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 December 31, 2011  
 (in thousands)

(a)	(b)	(c)	(d)	(e)
Identity of issue, borrower, lessor, or similar party	Description of investment, including maturity date, rate of interest, collateral, par or maturity value	Historical Cost	Current Value	
BANK OF NY MTN	Corporate Bond 2.4% 1/17/17	**	1,001	
Bank of NOVA SC	Corporate Bond 2.05% 10/07/15	**	3,168	
BANK TOKYO	Corporate Bond 2.6% 1/22/13 144A	**	256	
BARCLAYS BANK	Corporate Bond 2.375% 1/13/14	**	1,564	
Bayview Commercial Asset Trust BAYC 2004-2 A	Mortgage backed security 1ML+43 8/34	**	94	
Bayview Commercial Asset Trust BAYC 2004-3 M1	Mortgage backed security 1ML+50 1/35	**	27	
BSCMS 06-PW11 AAB	Mortgage backed security CSTR 3/39	**	544	
BSCMS 2007-PW17 A2	Mortgage backed security 5.574 6/50	**	174	
BERK HATH INC	Corporate Bond 2.2% 8/15/16	**	716	
Commercial Mortgage Pass-Through COMM 2005-C6 XP	Interest Only Strip CSTR 6/44	**	14	
CIBC	Corporate Bond 1.45% 9/13/13	**	577	
Capital Auto Receivables Asset CARAT 2007-1 B	Mortgage backed security 5.15% 9/12	**	139	
CAPITAL ONE FIN	Corporate Bond 2.125% 7/15/14	**	1,512	
Capital One Multi-Asset Execution Trust COMET 2008-A3 A3	Mortgage backed security 5.05% 2/16	**	422	
Caterpillar FIN 2.75% 6/24/15	Corporate Bond 2.75% 6/24/15	**	349	
CATERPILR FIN MTN	Corporate Bond 1.375% 5/14	**	700	
CATERPILR FIN MTN	Corporate Bond 1.125% 12/14	**	494	
Chase Issuance Trust CHAIT 2007-A17 A	Mortgage backed security 5.12% 10/14	**	2,396	
Chase Issuance Trust CHAIT 2008-A4 A4	Mortgage backed security 4.65% 3/15	**	1,700	
Chase Issuance Trust CHAIT 2011-A2 A2	Mortgage backed security 1ML+9 5/15	**	2,589	
CFAST 2010-A A3	Mortgage backed security .91% 8/13	**	671	
Citigroup Inc	Corporate Bond 5.5% 4/11/13	**	1,963	
Citigroup Inc	Corporate Bond 6.5% 8/13 SNR DT	**	2,077	
Citigroup Inc	Corporate Bond 4.75% 5/19/15	**	1,031	
Citigroup Inc	Corporate Bond 3.953% 6/15/16	**	339	
CCCIT 2009-A5 A5	Mortgage backed security 2.25% 12/14	**	812	
Citigroup Funding Inc FDIC	Corporate Bond 1.875% 11/15/12	**	2,054	
Coca-Cola Ent	Corporate Bond 1.125% 11/12/13	**	727	
Comerica Inc	Corporate Bond 3% 9/16/15	**	77	
Greenwich Capital Commercial Funding Corp GCCFC 2006-GG7 A1 CSTR	Mortgage backed security CSTR 7/38	**	6	
CMMNWLTH BK	Corporate Bond 2.125% 3/17/14 144	**	692	



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Eastman Investment and Employee Stock Ownership Plan  
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 (in thousands)

(a)	(b)	(c)	(d)	(e)
Identity of issue, borrower, lessor, or similar party	Description of investment, including maturity date, rate of interest, collateral, par or maturity value	Historical Cost	Current Value	
Commonwealth Bank of Australia MTN	Corporate Bond 2.9 9/17/14 144A	**	3,043	
COMWLTH EDISON	Corporate Bond 1.625% 1/15/14	**	1,094	
CON Edison NY	Corporate Bond 5.55 4/1/14	**	712	
RABOBANK NL UTREC MTN	Corporate Bond 1.85 1/14	**	2,743	
Covidien Intl	Corporate Bond 1.875% 6/15/13	**	626	
CS First Boston Mortgage Security CSFB 2003-C4 A3	Mortgage backed security CSTR 8/36	**	20	
CS First Boston Mortgage Security CSFB 2003-C4 A4	Mortgage backed security 5.137 8/36	**	679	
CS First Boston Mortgage Security CSFB 2004-C1 A3	Mortgage backed security 4.321% 1/37	**	69	
Credit Suisse Mortgage Capital CSMC 2007-C3 A2	Mortgage backed security CSTR 6/39	**	330	
CS First Boston Mortgage Security CSFB 2005-C4 ASP	Interest Only Strip CSTR 8/38	**	32	
Credit Suisse NY MTN	Corporate Bond 3.5% 3/23/15	**	600	
CREDIT SUISSE NY	Corporate Bond 2.2% 1/14/14	**	3,080	
DBS Bank Ltd	Corporate Bond 5.125/VAR 5/17 144A	**	1,697	
DBUBS 2011-LC3A A1	Mortgage backed security 2.238 8/44	**	235	
Daimler Chrysler	Corporate Bond 6.5% 11/15/13	**	928	
DAIMLER FIN	Corporate Bond 1.875% 9/15/14 144A	**	660	
DANSKE BANK	Corporate Bond 3.875% 4/14/16 144	**	974	
Deere J Cap Mtn	Corporate Bond 1.875% 6/17/13	**	632	
John Deere Cap	Corporate Bond 2.95% 3/9/15	**	316	
Deutsche BK AG 2.375% 1/11/13	Corporate Bond 2.375% 1/11/13	**	954	
Diageo Capital GLB	Corporate Bond 5.2 1/30/13	**	679	
Dominion Resources	Corporate Bond 2.25% 9/1/15	**	434	
DOMINION RESOURCE	Corporate Bond 1.8% 3/15/14	**	258	
DUKE ENERGY CAR	Corporate Bond 1.75% 12/15/16	**	224	
EDP Finance BV	Corporate Bond 5.375 11/12 144A	**	748	
ERP Operating LP	ERP OPERAT LP 5.5% 10/1/12	**	342	
Enel Finance International	Corporate Bond 5.7% 1/15/13 144A	**	697	
EXPORT DEV CANADA	Corporate Bond 1.5% 5/15/14	**	471	
Fidelity	FID INST CASH PORT: MM FUND CLASS I SHS F/N/A	**	40,159	
Freddie Mac	FHLG 15YR 5.00% 5/14 #E76434	**	7	
Freddie Mac	FHLG 15YR 5.00% 6/14 #E77224	**	18	
Freddie Mac	FHLM ARM 4.889% 3/33 #847126	**	5	
Freddie Mac	FHLG 15YR 4.50% 8/18 #E98688	**	702	
Freddie Mac	FHLG 15YR 4.50% 9/18 #E99205	**	220	
Freddie Mac	FHLG 15YR 4.50% 10/18 #E99833	**	318	

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Freddie Mac	FHLM ARM	3.53%	4/40 #1B4657	**	348
Freddie Mac	FHLM ARM	3.58%	4/40 #1B4702	**	305

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Eastman Investment and Employee Stock Ownership Plan  
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 December 31, 2011  
 (in thousands)

(a)	(b)	(c)	(d)	(e)
Identity of issue, borrower, lessor, or similar party	Description of investment, including maturity date, rate of interest, collateral, par or maturity value	Historical Cost	Current Value	
Freddie Mac	FHLM ARM 4.68% 1/36 #847584	**	65	
Freddie Mac	FHLM ARM 3.88% 1/35 #848084	**	51	
Freddie Mac	FHLM ARM 5.084% 8/35 #1J0005	**	60	
Freddie Mac	FHLG 15YR 5.00% 6/24 #G13598	**	1,102	
Freddie Mac	FHLM ARM 4.941% 11/35 #1J1228	**	192	
Freddie Mac	FHLG 10YR 3.00% 8/21 #J16393	**	788	
Freddie Mac	FHLG 10YR 3.00% 8/21 #J16442	**	854	
Freddie Mac	FHLM ARM 5.78% 10/35 #1N0063	**	28	
Freddie Mac	FHLM ARM 3.21% 7/41 #1B8477	**	436	
Freddie Mac	FHLM ARM 2.98% 8/41 #1B8533	**	549	
Freddie Mac	FHLM ARM 2.99% 8/41 #1B8556	**	262	
Freddie Mac	FHLM ARM 3.07% 9/41 #1B8608	**	339	
Freddie Mac	FHLG 15YR 4.50% 11/18 #B10931	**	186	
Freddie Mac	FHLM ARM 4.199% 8/36 #848185	**	245	
Freddie Mac	FHLB .375% 11/27/13	**	13,217	
Fannie Mae	FNMA 0.875% 8/28/14	**	3,845	
Fannie Mae	FNMA .625% 10/30/14	**	5,682	
Fannie Mae	FNMA 0.75% 12/19/14	**	1,796	
Fannie Mae	FNMA 4.625% 10/15/13	**	729	
FHR 3943 EF 1ML+25 2/26	FHR 3943 EF 1ML+25 2/26	**	853	
Freddie Mac	FHLMC 1.75% 9/10/15	**	666	
Freddie Mac	FHLMC 1% 7/30/14	**	6,189	
Freddie Mac	FHLMC 1% 8/27/14	**	28,283	
Freddie Mac	FHLMC 0.375% 10/30/13	**	22,963	
Freddie Mac	FHLMC 0.75% 11/25/14	**	4,725	
Freddie Mac	FHLMC .625% 12/29/14	**	2,116	
Fannie Mae	FNMA 15YR 7.00% 1/13 #251428	**	0	
Fannie Mae	FNMA 15YR 6.50% 11/13 #323755	**	32	
Fannie Mae	FNMA 15YR 7.00% 8/14 #323877	**	10	
Fannie Mae	FNMA ARM 3.01% 8/41 #AI4358	**	283	
Fannie Mae	FNMA ARM 3.37% 9/41 #AI8935	**	282	
Fannie Mae	FNMA ARM 2.74% 8/41 #AH5259	**	897	
Fannie Mae	FNMA 10YR 3% 9/21 #AL0576	**	1,847	
Fannie Mae	FNMA 10YR 3% 9/21 #AL0579	**	2,170	
Fannie Mae	FNMA 15YR 6.50% 9/14 #514373	**	0	
Fannie Mae	FNMA 15YR 6.50% 10/13 #535234	**	54	
Fannie Mae	FNMA 15YR 7.00% 6/16 #545122	**	5	
Fannie Mae	FNMA 15YR 7.00% 2/16 #569915	**	14	
Fannie Mae	FNMA 15YR 6.00% 10/16 #589129	**	13	
Fannie Mae	FNMA 15YR 7.00% 8/16 #599602	**	51	

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Fannie Mae	FNMA 15YR 7.00% 4/17 #636135	**	90
Fannie Mae	FNMA 15YR 6.50% 4/17 #637244	**	67
Fannie Mae	FNMA 15YR 6.00% 11/17 #671380	**	50
Fannie Mae	FNMA 15YR 6.00% 11/17 #672789	**	17
Fannie Mae	FNMA 15YR 6.00% 12/17 #673965	**	34
Fannie Mae	FNR 2004-3 HA 4% 7/17	**	86
Fannie Mae	FNR 2004-15 AB 4% 9/17	**	56
Fannie Mae	FHR 2866 XE 4 12/18	**	597
Fannie Mae	FHR 2915 DC 4.5% 3/19	**	307

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Eastman Investment and Employee Stock Ownership Plan  
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Fannie Mae	FNR 2008-95 AD 4.5% 12/23	**	1,136	
Fannie Mae	FHR 3540 CD 2% 6/14	**	1,388	
Fannie Mae	FHR 3560 LA 2% 8/14	**	322	
Fannie Mae	FHR 3573 LC 1.85% 8/14	**	585	
Fannie Mae	FNR 2010-123 DL 3.5% 11/25	**	482	
Fannie Mae	FNR 2010-135 DE 2.25% 4/24	**	921	
Fannie Mae	FNR 2010-143 B 3.5% 12/25	**	760	
Fannie Mae	FHR 3659 EJ 3% 6/18	**	1,254	
Fannie Mae	FNMA 15YR 6.00% 2/18 #684153	**	7	
Fannie Mae	FNMA 15YR 7.00% 2/18 #693327	**	156	
Fannie Mae	FNMA ARM 4.801% 2/33 #695019	**	28	
Fannie Mae	FNMA ARM 3.984% 5/33 #703915	**	7	
Fannie Mae	FNMA 15YR 4.50% 11/18 #725857	**	146	
Fannie Mae	FNMA 15YR 4.00% 8/18 #727438	**	397	
Fannie Mae	FNMA 15YR 4.50% 8/18 #730721	**	99	
Fannie Mae	FNMA ARM 4.68% 11/34 #735011	**	165	
Fannie Mae	FNMA 15YR 4.50% 6/19 #745278	**	363	
Fannie Mae	FNMA 15YR 4.50% 7/20 #745874	**	192	
Fannie Mae	FNMA ARM 3.753% 10/33 #746320	**	37	
Fannie Mae	FNMA ARM 4.358% 10/33 #754672	**	13	
Fannie Mae	FNMA ARM 3.752% 10/33 #755148	**	25	
Fannie Mae	FNMA ARM 5.05% 7/34 #801635	**	16	
Fannie Mae	FNMA ARM 4.53% 12/34 #802852	**	189	
Fannie Mae	FNMA ARM 4.293% 3/35 #815586	**	15	
Fannie Mae	FNMA ARM 5.12% 6/35 #823810	**	58	
Fannie Mae	FNMA ARM 4.58% 7/35 #826362	**	335	
Fannie Mae	FNMA ARM 5.344% 7/35 #834917	**	12	
Fannie Mae	FNMA ARM 4.198% 11/34 #841068	**	1,091	
Fannie Mae	FNMA ARM 5.349% 12/34 #843013	**	26	
Fannie Mae	FNMA ARM 5.280% 3/35 #843014	**	17	
Fannie Mae	FNMA ARM 4.893% 10/35 #847787	**	43	
Fannie Mae	FNMA ARM 6.25% 6/36 #886983	**	19	
Fannie Mae	FNMA 15YR 4.50% 7/20 #888653	**	169	
Fannie Mae	FNMA ARM 4.21% 5/35 #889946	**	292	
Fannie Mae	FNMA ARM 4.30% 2/35 #995017	**	345	
Fannie Mae	FNMA ARM 4.898% 5/35 #995272	**	29	
Fannie Mae	FNMA ARM 4.58% 7/35 #995273	**	126	
Fannie Mae	FNMA ARM 4.53% 10/35 #995414	**	279	
Fannie Mae	FNMA ARM 4.55% 10/35 #995415	**	831	
Fannie Mae	FNMA ARM 4.512% 12/36 #995606	**	285	
Fannie Mae	FNMA ARM 5.075% 7/34 #995609	**	129	

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Fannie Mae	FNMA ARM	3.20%	1/40 #AC0599	**	525
Fannie Mae	FNMA 10YR	3.00%	7/21 #MA0803	**	1,043
Fannie Mae	FNMA 10YR	3.00%	#MA0833	**	1,571
Fannie Mae	FNMA 10YR	3.00%	#MA0865	**	2,255

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Fannie Mae	FNMA 10YR 3.00% 10/21 #MA0909	**	1,233	
Fannie Mae	FNMA 10YR 3.00% #MA3892	**	1,680	
Fannie Mae	FNMA ARM 4.285% 7/33#AD0066	**	500	
Fannie Mae	FNMA 15YR 4.50% 8/24 #AD0117	**	2,953	
Fannie Mae	FNMA ARM 2.94% 8/35 #AD0710	**	56	
Fannie Mae	FNMA ARM 3.47% 3/40 #AD0820	**	479	
Fannie Mae	FNMA ARM 3.60% 3/40 #AD1555	**	574	
Fannie Mae	FNMA ARM 3.69% 5/40 #AE0064	**	1	
Fannie Mae	FNMA ARM 3.79% 6/40 #AE0065	**	301	
Fannie Mae	FNMA 15YR 3.50% 12/25 #AE0368	**	10,863	
FIFTH THIRD BAN	Corporate Bond 3.625% 1/25/16	**	398	
Ford Credit Auto Owner Trust FORDO 2009-B A3	Mortgage backed security 2.79 8/13 TALF	**	186	
Ford Credit Auto Owner Trust FORDO 2009-C A4	Mortgage backed security 4.43% 11/14	**	520	
Ford Credit Auto Owner Trust FORDO 2009-D A3	Mortgage backed security 2.17% 10/13	**	111	
Ford Credit Auto Owner Trust FORDO 2009-E A3	Mortgage backed security 1.51% 1/14	**	352	
Ford Credit Auto Owner Trust FORDO 2010-B A3	Mortgage backed security 0.98% 10/14	**	540	
FORDL 2011-A A3	Mortgage backed security 1% 7/14	**	1,210	
FORDO 2011-B A3	Mortgage backed security .84% 6/15	**	570	
France Tele MTN	Corporate Bond 4.375% 7/14 DT	**	784	
FRANCE TELECOM	Corporate Bond 2.125% 9/16/15	**	214	
Franklin Auto Trust FRNK 2007-1 B	Mortgage backed security 5.13% 2/15	**	359	
GECMC 2007-C1 XP	Interest Only Strip CSTR 12/49	**	70	
GMACC 2004-C2 A2	Mortgage backed security CSTR 8/38	**	140	
GMACC 2004-C2 A4	Mortgage backed security 5.301% 8/38	**	674	
GE Capital Credit Card Master GMACC 2005-C1 X2	Interest Only Strip CSTR CSTR 5/43	**	10	
GMACC 2003-C2 A2	Mortgage backed security CSTR 5/40	**	360	
General Motors Acceptance Corporation INC FDIC	Corporate Bond 1.75% 10/30/12	**	1,554	
GSMS 2011-GC5 A1	Mortgage backed security CSTR 8/44	**	569	
GSMS 04-GG2 A6	Mortgage backed security CSTR 8/38	**	753	
GS Mortgage Securities Corporation GSMS 2005-GG4 A3	Mortgage backed security 4.607 7/39	**	413	
GS Mortgage Securities Corporation GSMS 2006-GG6 A2	Mortgage backed security 5.506% 4/38	**	204	
	Mortgage backed security 5.479 11/39	**	706	

GS Mortgage Securities Corporation  
 GSMS 2006-GG8 A2

GCO Slims Trust GCOSL 2006-1A NOTE	Mortgage backed security 5.72% 3/22	**	192
GEN ELEC CAP MTN	Corporate Bond 5.4 9/20/13	**	2,526
General Electric Capital Corp MTN	Corporate Bond 3.5% 6/29/15	**	511
General Electric MTN	Corporate Bond 1.875% 9/13	**	1,821
General Electric Capital Corp	Corporate Bond 2.25% 11/9/15	**	522
GE ELEC CAP CORP	Corporate Bond 2.1% 1/07/14	**	1,903

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GENERAL ELEC	Corporate Bond 2.95% 5/09/16	**	158	
GENERAL ELEC MTN	Corporate Bond 3.35% 10/17/16	**	671	
General Electric Capital Corp FDIC MTN	Corporate Bond 2.625 12/28/12	**	1,792	
General Electric Capital Corp FDIC GMTN	Corporate Bond 2% 9/28/12	**	886	
Goldman Sachs MTN	Corporate Bond 3.7% 8/1/15	**	963	
GOLDMAN SAC GRP	Corporate Bond 3.625% 2/07/16	**	1,344	
GCCFC 2005-GG3 A2	Mortgage backed security CSTR 8/42	**	282	
HEWLETT-PACKARD	Corporate Bond 2.625% 12/9/14	**	667	
HAROT 2011-3 A2	Mortgage backed security 1 4/14	**	770	
Honda Auto Receivables Owner Trust HAROT 2010-1 A4	Mortgage backed security 1.98% 5/23/16	**	253	
Honda Auto Receivables Owner Trust HAROT 2010-2 A3	Mortgage backed security 1.34% 3/14	**	552	
Honda Auto Receivables Owner Trust HAROT 2009-3 A3	Mortgage backed security 2.31% 5/13	**	120	
Honda Auto Receivables Owner Trust HAROT 2010-3 A3	Mortgage backed security .7% 4/14	**	1,340	
HAROT 2011-1 A4	Mortgage backed security 1.8% 4/17	**	366	
HAROT 2011-2 A3	Mortgage backed security 0.94% 3/15	**	892	
HSBC BANK	Corporate Bond 3.1% 5/24/16 144A	**	1,395	
HART 2011-A A3	Mortgage backed security 1.44 4/15	**	462	
HYUNDAI 2 11-C ABS	Mortgage backed security .57% 7/15/1	**	779	
Hyundai Auto Receivables Trust HART 2009-A A3	Mortgage backed security 2.03% 8/13	**	137	
HART 09-A A4	Mortgage backed security 3.15% 3/16	**	124	
ING BANK MTN	Corporate Bond 2.65% 1/13 144A	**	959	
IBM CORP	Corporate Bond 1.95% 7/22/16	**	964	
JP Morgan Chase	Synthetic GIC – 2.411%	**	249	
JPMorgan Chase Company MTN	Corporate Bond 4.65% 6/14	**	2,725	
JPMC CO MTN	Corporate Bond 3.7% 1/20/15	**	495	
JPMorgan Chase Company	Corporate Bond 3.4% 6/24/15	**	1,010	
JPMORGAN CHASE	Corporate Bond 3.15% 7/05/16	**	933	
JPMCC 03-CB7 A4	Mortgage backed security CSTR 1/38	**	282	
JPMCC 2003-C1 A2	Mortgage backed security 4.985 1/37	**	557	
JP Morgan Chase Commercial Mortgage JPMCC 2005-LDP2 A3	Mortgage backed security 4.697 7/42	**	604	
JPMCC 2005-LDP5 A2	Mortgage backed security 5.198 12/44	**	627	
JP Morgan Chase Commercial Mortgage JPMCC 2006-LDP7 A2	Mortgage backed security CSTR 4/45	**	17	

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JPMCC 2007-LDPX A2S	Mortgage backed security 5.305 1/49	**	245
JPMCC 2007-LD11 A2	Mortgage backed security CSTR 6/49	**	637
LBUBS 2003-C3 A4	Mortgage backed security 4.166 5/32	**	216
LBUBS 2004-C8	Mortgage backed security 4.799% 12/29	**	692
LB-UBS Commercial Mortgage Trust LBUBS 2004-C2 A3	Mortgage backed security 3.973% 3/29	**	309
LB-UBS Commercial Mortgage Trust LBUBS 2005-C1 AAB	Mortgage backed security CSTR 2/30	**	367

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LB-UBS Commercial Mortgage Trust LBUBS 2005-C5 XCP	Interest Only Strip CSTR 9/40	**	86	
LB-UBS Commercial Mortgage Trust LBUBS 2005-C7 XCP	Interest Only Strip CSTR 11/40	**	44	
LBUBS 2007-C6 A2	Mortgage backed security 5.845 7/40	**	390	
Manufacturers & Traders Trust Co	Corporate Bond 3.85/VAR 4/1/13	**	1,492	
Marriott Vacation Club Owner Trust MVCOT 2005-2 A	Mortgage backed security 4.6% 10/27	**	99	
Marriott Vacation Club Owner Trust MVCOT 2006-2A A	Mortgage backed security 5.417% 10/28	**	83	
Marriott Vacation Club Owner Trust MVCOT 2006-2A B	Mortgage backed security 5.467% 10/28	**	25	
Marriott Vacation Club Owner Trust MVCOT 2006-2A C	Mortgage backed security 5.766% 10/28	**	11	
MASSMUTUAL GL	Corporate Bond 3.625% 7/12 144A	**	413	
MASSMUTUAL GLBL FRN	Corporate Bond 1/14 144A	**	1,010	
MBART 2011-1 A3	Mortgage backed security 0.85% 3/15	**	841	
Mercedes-Benz Auto Receivables Trust MBART 2009-1 A3	Mortgage backed security 1% 1/15/14	**	245	
Merrill Lynch & Co	Corporate Bond 5.45% 7/15/14	**	1,193	
Merrill Lynch Mortgage Trust MLMT 2004-KEY2 A2	Mortgage backed security 4.166% 8/39	**	258	
Merrill Lynch Mortgage Trust MLMT 2005-MKB2 XP	Interest Only Strip CSTR 9/42	**	6	
METROPOLITAN MTN	Corporate Bond 2.5 1/13 144A	**	1,165	
MET LIFE GLBL	Corporate Bond 2.5 9/29/15 144A	**	1,903	
Monumental Life Insurance Co	Synthetic GIC – 2.351%	**	249	
Monumental Global	Corporate Bond 5.5% 4/13 144A	**	230	
MSC 03-IQ4 A2	Mortgage backed security 4.07 5/40	**	240	
Morgan Stanley Capital MSC 2004-HQ4 X2	Interest Only Strip CSTR 4/40	**	12	
MSC 03-T11 A4	Mortgage backed security 5.15 6/41	**	303	
MORGAN STANLEY	Corporate Bond 2.875% 1/25/14	**	1,504	
MORGAN STANLEY	Corporate Bond 2.875% 7/28/14	**	767	
MORGAN STANLEY	Corporate Bond 6% 5/13/14	**	1,272	
MORGAN STANLEY	Corporate Bond 4.1% 1/26/15	**	740	
MORGAN STANLEY	Corporate Bond 3.45% 11/2/15	**	170	
MORGAN STANLEY	Corporate Bond 3.8% 4/29/16	**	603	
NCUA GTD NTS MA 1.4% 6/12/15	NCUA GTD NTS MA 1.4% 6/12/15	**	943	
National Australia Bank	Corporate Bond 2.35 11/16/12 144A	**	1,476	
NY Life	Corporate Bond 2.25% 12/14/12 144A	**	933	



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NY Life Global	Corporate Bond 4.65% 5/9/13 144A	**	1,076	
Nissan Auto Lease Trust NALT 2010-B A3	Mortgage backed security 1% 12/15/13	**	792	
NALT 2010-B A4	Mortgage backed security 1.27% 10/16	**	322	
NALT 2 11-A ABS	Mortgage backed security 1.04% 8/15/14	**	1,061	
NALT 2011-B A3	Mortgage backed security 0.92% 2/15	**	487	
NAROT 2010-A A4	Mortgage backed security 1.31% 9/16	**	453	
NAROT 2011-A A3	Mortgage backed security 1.18% 2/15	**	583	
Natixis	Synthetic GIC – 2.371%	**	249	
Nordea Bank AG	Corporate Bond 1.75 10/4/13 144A	**	991	
Northstar Education Finance NEF 2005-1 A5	Mortgage backed security 4.74% 10/45	**	490	
Peco Energy	Corporate Bond 5.6% 10/15/13	**	678	
PG&E CORP	Corporate Bond 5.75% 4/01/14	**	364	
PNC Funding MTN	Corporate Bond 3.625% 2/8/15	**	737	
PNC Funding Corp MTN	Corporate Bond 3% 5/19/14	**	897	
Pacific Gas & Electric	Corporate Bond 6.25% 12/13	**	937	
PEPSICO INC	Corporate Bond 7.9% 11/01/18	**	889	
Philip Morris	Corporate Bond 4.875% 5/16/13	**	276	
Proctor & Gamble	Corporate Bond 1.8% 11/15/15	**	694	
Public Service Electric & Gas Co	Corporate Bond 2.7% 5/01/15	**	535	
Royal Bank of Canada	Corporate Bond 1.125 1/15/14	**	928	
ROYAL BK CANADA	Corporate Bond 2.3% 7/20/16	**	354	
ROYAL BK CANADA	Corporate Bond 1.45% 10/30/14	**	629	
ROYAL BK SCOT	Corporate Bond 4.875 8/14 144A	**	996	
Royal Bank of Scotland	Corporate Bond 1.5% 3/30/12 144A	**	1,585	
SBC Communications Gbl	Corporate Bond 5.1 9/15/14	**	345	
SLM Student Loan Trust SLMA 2004-A B	Mortgage backed security 3ML+58 6/33	**	110	
SVO VOI Mortgage Corp SVOVM 2005-A A	Mortgage backed security A 5.25% 2/21	**	109	
SANOFI	Corporate Bond 1.2% 9/30/14	**	450	
SANTANDER US	Corporate Bond 2.485% 1/13 144A	**	886	
SCHLUMBERGER	Corporate Bond 1.95 9/14/16 144A	**	672	
SEMPRA ENERGY	Corporate Bond 2% 3/15/14	**	693	
SHELL INTL MTN	Corporate Bond 1.875 3/25/13	**	1,321	
Simon Property Group LP	Corporate Bond 5.3% 5/30/13	**	547	
SIMON PROPERTY	Corporate Bond 2.8% 1/30/17	**	154	
SOUTHERN CO	Corporate Bond 4.15% 5/14	**	222	
State Street Bank & Trading Co. Boston	Synthetic GIC – 2.361%	**	249	
STATE STREET	Corporate Bond 2.875% 3/07/16	**	1,184	

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Lahman Large Loan LLL 1997-LLI D	Mortgage backed security 7.15 10/34	**	120
SUMITOMO BK	Corporate Bond 1.95% 1/14/14 144A	**	1,399
SVENSKA MTN	Corporate Bond 2.875 9/14/12 144A	**	2,199
TARGET CORP	Corporate Bond 1.125% 7/18/14	**	337
Telefonica Emisiones	Corporate Bond 3.729% 4/27/15	**	908
TORONTO DOM BK	Corporate Bond 2.5% 7/14/16	**	1,443
TORONTO DOMINI	Corporate Bond 2.375% 10/19/16	**	665



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TOTAL CAP CDA	Corporate Bond 1.625% 1/28/14	**	686	
TAOT 2010-A A3	Mortgage backed security 1.27% 12/13	**	216	
TAOT 2010-B A3	Mortgage backed security 1.04% 2/14	**	330	
Transcapit	Corporate Bond 5.67% 3/5/14 144A	**	1,109	
USAA CAPITAL	Corporate Bond 1.05% 9/14 144A	**	761	
USAA CAP CO	Corporate Bond 2.25% 12/13/16 144	**	664	
USAA Auto Owner Trust USAOT 2009-1 A4	Mortgage backed security 4.77 9/14	**	429	
USAA Auto Owner Trust USAOT 2009-2 A3	Mortgage backed security 1.54% 02/14	**	259	
UNCREDIT LUX	Corporate Bond 5.584/VAR 1/13/17	**	1,130	
UNION BK NA	Corporate Bond 3% 6/6/16	**	1,030	
US BANCORP	Corporate Bond 3.15% 3/4/15	**	322	
US BANK CORP MTN	Corporate Bond 2.2% 11/15/16	**	902	
US Treasury Note/Bond	USTN 4.25% 8/15/15	**	6,793	
US Treasury Note/Bond	USTN 2.375% 9/30/14	**	585	
US Treasury Note/Bond	USTN 2.5% 3/31/15	**	57,127	
US Treasury Note/Bond	USTN 2.5% 4/30/15	**	53,311	
US Treasury Note/Bond	USTN 2.125% 5/31/15	**	1,991	
US Treasury Note/Bond	USTN 1.875% 6/30/15	**	30,616	
US Treasury Note/Bond	USTN .5% 5/31/13	**	2	
US Treasury Note/Bond	USTN .375% 6/30/13	**	25,774	
US Treasury Note/Bond	USTN 1% 9/30/16	**	43,381	
US Treasury Note/Bond	USTN .375% 11/15/14	**	10,058	
US Treasury Note/Bond	USTN .875% 11/30/16	**	49,066	
US Treasury Note/Bond	USTN .875% 12/31/16	**	5,030	
UNITEDHEALTH GRP	Corporate Bond 1.875% 11/16	**	501	
VF CORP FRN	Corporate Bond 3ML+75 8/23/13	**	409	
Verizon Communications Inc	Corporate Bond 5.25% 4/15/13	**	784	
VERIZON COM	Corporate Bond 1.95% 3/28/14 144A	**	1,057	
VERIZON COM	Corporate Bond 2% 11/1/16	**	1,348	
VERIZON WIRELESS	Corporate Bond 5.25% 2/1/12	**	589	
VERIZON WIRELESS	Corporate Bond 5.55% 2/1/14	**	1,487	
Vodafone Group PLC	Corporate Bond 4.15% 6/10/14	**	359	
VALET 2011-1 A3	Mortgage backed security 1.22% 6/15	**	1,498	
Volkswagen Auto Lease Trust VWALT 2010-A A3	Mortgage backed security 0.99% 11/13	**	1,352	
VWALT 2010-A A4	Mortgage backed security 1.18 10/15	**	201	
VWALT 2011-A A2	Mortgage backed security 1% 2/14	**	470	
VOLKSWAGEN	Corporate Bond 1.875% 4/1/14 144A	**	530	
WFRBS 2011-C5 A1	Mortgage backed security 1.456 11/44	**	226	

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WBCMT 2003-C9 A4	Mortgage backed security 5.012 12/35	**	878
Wachovia Bank Commercial Mortgage Trust WBCMT 2004-C11 A3	Mortgage backed security 4.719 1/41	**	47
Wachovia Bank Commercial Mortgage Trust WBCMT 2005-C18 XP	Interest Only Strip CSTR 4/42	**	9
Wachovia Bank Commercial Mortgage WBCMT 2007-C30 XP	Interest Only Strip CSTR 12/43	**	179
Wachovia Bank Commercial Mortgage WBCMT 2007-C31A A2	Mortgage backed security 5.421% 4/47	**	679
Wal-Mart Stores MTN	Corporate Bond 3.2% 5/14	**	788

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Eastman Investment and Employee Stock Ownership Plan  
 Schedule H, Line 4 (i) – Schedule of Assets (Held at End of Year)  
 December 31, 2011  
 (in thousands)

(a)	(b)	(c)	(d)	(e)
Identity of issue, borrower, lessor, or similar party	Description of investment, including maturity date, rate of interest, collateral, par or maturity value	Historical cost	Current Value	
Wal-Mart Stores	Corporate Bond 2.25% 7/08/15	**	804	
WAL MART STORES	Corporate Bond 2.8% 4/15/16	**	1,118	
Wells Fargo	Corporate Bond 3.75% 10/1/14	**	408	
Wells Fargo	Corporate Bond 3.625% 4/15/15	**	625	
Wells Fargo	Corporate Bond 4.375% 1/31/13	**	1,920	
WELLS FARGO&COM 3.676% 6/15/16	Corporate Bond	**	1,514	
Westpac Banking Corp	Corporate Bond 2.1% 8/2/13	**	360	
Westpac Banking Corp	Corporate Bond 1.85% 12/09/13	**	1,150	
World Omni Auto Receivables Trust WOART 2010-A A3	Mortgage backed security 1.34% 12/13	**	251	
WOART 2011-A A3	Mortgage backed security 1.49% 10/14	**	584	
Wyeth	Corporate Bond 5.5% 2/01/14	**	393	
Yale University MTN	Corporate Bond 2.9% 10/15/14	**	522	
Sub-total Managed Income Fund			672,791	
Self-Directed Brokerage Account	17,459 Shares	**	17,459	
Total Investment Assets			\$1,644,002	
Participant Loans	Interest rates ranging 4.25% - 10.50%, Maturities ranging 3 to 62 months		\$37,240	

\* Represents a party-in-interest to the Plan.

\*\* Historical cost is omitted because the investment is participant-directed.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed by the undersigned thereunto duly authorized.

Eastman Investment and Employee  
Stock Ownership Plan

Date: June 28, 2012

By: /s/Scott V. King  
Scott V. King  
Vice President, Controller and Chief Accounting Officer

Eastman Investment and Employee Stock Ownership Plan  
Exhibit Index

Exhibit Number	Description	Sequential Page Number
<u>23.01</u>	<u>Consent of Independent Registered Public Accounting Firm</u>	34