

EASTMAN CHEMICAL CO
Form 11-K
June 28, 2006

**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 [NO FEE REQUIRED]

For the fiscal year ended December 30, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

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 37660

Eastman Investment and Employee Stock Ownership Plan

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

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of
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 30, 2005 and 2004, 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 audits 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.

PricewaterhouseCoopers, LLP
Philadelphia, Pennsylvania
June 28, 2006

Eastman Investment and Employee Stock Ownership Plan
Statements of Net Assets Available for Benefits
December 30, 2005 and 2004
(in thousands)

| | Participant Directed | 2005 Non- participant Directed | Total | Participant Directed | 2004 Non- participant Directed | Total |
|--|---------------------------------|---|--------------|---------------------------------|---|--------------|
| Assets | | | | | | |
| Investments at fair value | \$ 712,973 | \$ 103,426 | \$ 816,399 | \$ 648,283 | \$ 128,486 | \$ 776,769 |
| Investments at contract value | 630,200 | -- | 630,200 | 614,657 | -- | 614,657 |
| Receivables: | | | | | | |
| Employer contributions | 29,152 | 3,647 | 32,799 | 29,682 | 4,381 | 34,063 |
| Other | 1,791 | 897 | 2,688 | 1,764 | 1,280 | 3,044 |
| Total assets | 1,374,116 | 107,970 | 1,482,086 | 1,294,386 | 134,147 | 1,428,533 |
| Liabilities | | | | | | |
| Accrued expenses | 14 | 15 | 29 | 12 | 16 | 28 |
| Other liabilities | 26 | 954 | 980 | 384 | 1,146 | 1,530 |
| Total liabilities | 40 | 969 | 1,009 | 396 | 1,162 | 1,558 |
| Net assets available for plan benefits | \$ 1,374,076 | \$ 107,001 | \$ 1,481,077 | \$ 1,293,990 | \$ 132,985 | \$ 1,426,975 |

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

Eastman Investment and Employee Stock Ownership Plan
Statements of Net Assets Available for Benefits
December 30, 2005 and 2004
(in thousands)

| | Participant Directed | 2005 Non- participant Directed | Total | Participant Directed | 2004 Non- participant Directed | Total |
|--|---------------------------------|---|--------------|---------------------------------|---|--------------|
| Additions to net assets: | | | | | | |
| Investment income (loss) | | | | | | |
| Interest | \$ 28,253 | \$ - | \$ 28,253 | \$ 26,537 | \$ -- | \$ 26,537 |
| Dividends | 20,766 | 3,781 | 24,547 | 13,702 | 4,395 | 18,097 |
| Net appreciation (depreciation) in fair value of investments | 26,930 | (12,407) | 14,523 | 72,949 | 43,555 | 116,504 |
| Net investment gain (loss) | 75,949 | (8,626) | 67,323 | 113,188 | 47,950 | 161,138 |
| Participant contributions | 67,917 | -- | 67,917 | 98,937 | -- | 98,937 |
| Plan Sponsor contributions | 29,152 | 3,647 | 32,799 | 29,552 | 4,381 | 33,933 |
| Interfund transfers | 15,882 | (15,882) | - | 20,051 | (20,051) | -- |
| Total additions | 188,900 | (20,861) | 168,039 | 261,728 | 32,280 | 294,008 |
| Deductions from net assets: | | | | | | |
| Distributions to and withdrawals by participants | 108,313 | 5,487 | 113,800 | 133,815 | 6,971 | 140,786 |
| Loan transfers, net | 364 | (364) | -- | 154 | (154) | - |
| Administrative expenses | 137 | -- | 137 | 169 | -- | 169 |
| Total deductions | 108,814 | 5,123 | 113,937 | 134,138 | 6,817 | 140,955 |
| Net increase (decrease) in net assets | 80,086 | (25,984) | 54,102 | 127,590 | 25,463 | 153,053 |
| Net assets available for plan benefits at beginning of year | 1,293,990 | 132,985 | 1,426,975 | 1,166,400 | 107,522 | 1,273,922 |
| Net assets available for plan | | | | | | |

benefits at end of
year

\$ 1,374,076 \$ 107,001 \$ 1,481,077 \$ 1,293,990 \$ 132,985 \$ 1,426,975

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

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**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. 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 ESOP Trust. Since the inception of the Plan, money in the forfeiture account has been used both to offset future Company contributions and for various administrative expenses of the Plan. The balance of the forfeiture account at December 30, 2005 and 2004 was immaterial.

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

Contributions and vesting

Contributions to the Plan are made through two separate provisions: (a) deferral of qualifying compensation including the Eastman Performance Plan payout, and (b) contributions by the Plan Sponsor of cash or its common stock to the ESOP Fund 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 reduction provision allowing eligible employees to defer up to 40% of qualifying compensation, as defined in the Plan, up to the statutory limit of \$14,000 and \$13,000 for 2005 and 2004, respectively, as permitted by the Internal Revenue Code. 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 25% of qualifying compensation, as defined in the Plan, for 2005 and 2004 up to certain Internal Revenue Code limitations. In addition during 2004, participants were able to elect to defer a portion of their annual Eastman Performance Plan payout as a contribution to the Plan. The Eastman Performance Plan provides a lump-sum payment to participants based on the Company's financial performance and is approved annually by the Company's Board of Directors. For 2004, the maximum deferral for a Plan year is limited to 40% of the aggregate of Eastman Performance Plan payments and qualifying compensation, subject to certain Internal Revenue Code limitations. The final plan year for the Eastman Performance Plan ended on December 31, 2003. The final deferral from the Eastman Performance Plan occurred on March 12, 2004. 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 Note 5). Generally, participants may transfer amounts among the funds on any business day. Additionally, participants may, if certain conditions are met, diversify amounts from their ESOP Fund account within the Plan (see Note 8). 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 allows for the Retirement Savings Contribution ("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.

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 and are 100% vested in their account balance at all times.

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 Internal Revenue Code. All rollover contributions into the Plan must meet the applicable Internal Revenue Service requirements.

**Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements**

Loans

IPCO may grant a loan of at least \$1,000 to a participant provided that the aggregate of the participants' loans outstanding does not exceed the lesser of (i) \$50,000 reduced by the excess, if any, of (a) the participant's highest outstanding loan balance from the preceding 12 months over (b) the outstanding total loan balance of loans from the Plan on the date on which the loan was made, or (ii) 50% of the non-forfeitable portion of the participant's account, excluding amounts in a participant's ESOP Fund account. In accordance with the Plan provisions, the rate of interest on new participant loans approximates current market rates. The term of any loan is determined by IPCO and shall not exceed five years. Loans transferred to the Plan from the Hercules Incorporated Savings and Investment Plan, the ABCO Industries, Inc. 401(k) Profit Sharing Plan, and the Eastman Resins, Inc. Employees' Growth Sharing Plan carry terms applicable under those Plans. At December 30, 2005, \$28.9 million in loans were outstanding for terms of 3 to 123 months and interest rates ranging from 4% to 10.50%. At December 30, 2004, \$26.8 million in loans were outstanding for terms from 3 to 123 months and interest rates ranging from 4% 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 who are not retirement-eligible and the participant account value is less than or equal to \$5,000. Separated participants with accounts in excess of \$5,000 or are retirement-eligible may elect (i) 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 (ii) immediate lump-sum distribution of the participant's account or, at the election of the participant, 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 \$5,000. If the beneficiary is a surviving spouse and the participant account value exceeds \$5,000, payment will be made in 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 has terminated his or her service 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. 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 Internal Revenue Code.
- Effective March 28, 2005 the Plan was amended to lower the involuntary cash out limit from \$5,000 to \$1,000 for the majority of plan participants.

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.

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.

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.

**Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements**

- 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).

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.

Actions taken in connection with the completion of certain corporate transactions

On or about August 1, 2004, the Company completed the sale of certain businesses and product lines in its coatings, adhesives, specialty polymers and inks ("CASPI") segment, including ABCO Industries, Inc. ("ABCO") and Eastman Resins, Inc. ("Resins") to Apollo Management, L.P. ("Apollo"), a private investment firm. In connection with this sale, on August 1, 2004, the Company fully vested each participant employed by (i) ABCO in his ABCO Employer Contribution Account, and (ii) Resins in his Resins Profit Sharing Account. The ABCO Employer Contribution Account and the Resins Profit Sharing Accounts held assets transferred to the Plan in connection with prior plan mergers. In February 2005, the Company made a contribution to the account of each participant, whose employment was terminated in connection with the sale of certain portions of the CASPI segment to Apollo, equal to 5% of the compensation paid to each participant for the period January 1, 2004 through July 31, 2004.

During 2005, the Company closed the operations of Cendian Corporation. The subsidiary's 401(k) plan was merged into the Plan on October 25, 2005. The assets of the Cendian plan are included in the participant's contributions total to the sum of \$5.1 million.

2. SUMMARY OF ACCOUNTING POLICIES

The following accounting policies, which conform to accounting principles generally accepted in the United States of America, 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.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 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 Trustee has determined the market values of each fund as of December 30, 2005 and 2004. Such market values equal the aggregate of the closing prices of the securities held in each fund on December 30, 2005 and 2004 as reported by national exchanges, if available, or otherwise in good faith by the Trustee, plus cash, interest, dividends and such other sums received and accrued but not yet invested. The Managed Income Fund is reported at contract value as determined by the contract issuers. The Managed Income Fund is comprised of synthetic guaranteed 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 wrapper contracts are valued as the difference between the contract value and the value of the underlying securities.

The Plan presents in the statement 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.

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.

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.

Payments to participants

Benefits are recorded when paid.

**Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements**

3. CONTRIBUTIONS

Participant contributions represent qualifying compensation and other qualifying employee bonuses withheld from participating employees by Eastman and contributed to the Plan. Such 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 contributions for participant-directed funds of \$29.2 million and \$29.7 million, and for the non-participant-directed ESOP Fund of \$3.6 million and \$4.4 million at December 30, 2005 and 2004, respectively.

4. LOANS TO PARTICIPANTS

The Plan Trustee makes loans to participants in accordance with Plan provisions. Loans made are accounted for as a transfer from the fund directed by the participant to the Loan Fund. The principal portion of loan repayments reduces the Loan 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 Loan Fund's net assets and 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.

Unless otherwise specified by the participant, loan proceeds will be withdrawn from the investment funds on a pro-rata basis. Outstanding loans at December 30, 2005 and 2004 were approximately \$28.9 million and \$26.8 million, respectively. Interest income earned on loans to participants is credited directly to the participants' accounts and was approximately \$1.6 million and \$1.4 million for 2005 and 2004.

5. INVESTMENTS

At December 30, 2005 and 2004, the Plan's assets were invested in investment contract funds (see Note 6), mutual funds, and in Eastman Chemical Company common stock. Subject to certain limitations, participants are provided the option of directing their contributions among these 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 Trustee manages investments in all funds. The following investment options, which invest primarily in common stock of the Plan sponsor, were available to participants in both 2005 and 2004:

Eastman Stock Fund

This participant-directed fund consists primarily of Eastman Class A common stock. Purchases and sales of Eastman stock are generally made on the open market on behalf of and as elected by Plan participants. During 2005, the Trustee purchased 1,460,100 shares of Eastman stock for the fund at an average price of \$54.03 per share, and sold 1,315,900 shares of Eastman stock for the fund at an average price of \$55.98 per share. During 2004, the Trustee purchased 1,143,200 shares of Eastman stock for the fund at an average price of \$45.22 per share and sold 1,698,901 shares at an average price of \$45.55 per share. Dividends paid from the Eastman Stock Fund totaled \$2.7 million and \$2.8 million in 2005 and 2004, respectively.

**Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements**

Eastman ESOP Fund

This non-participant directed fund consists primarily of Eastman Class A common stock. Purchases and sales of Eastman stock are generally made on the open market, on behalf of its participants and as directed by the Plan's guidelines. During 2005, the Trustee purchased 74,000 shares of Eastman stock for the fund at an average price of \$56.48 per share, and sold 290,400 shares of Eastman stock for the fund at an average price of \$55.85 per share. During 2004, the Trustee purchased 117,000 shares of Eastman stock for the fund at an average price of \$42.94 per share, and sold 477,800 shares at an average price of \$45.43 per share.

At December 30, 2005 and 2004, the following investments represented 5% or greater of ending net assets, (in thousands):

| | | 2005 | |
|---|---------------|-------------------|--|
| | Shares | Fair value | |
| Eastman Chemical Company Common Stock, Non Participant Directed | 8,420 | \$ 102,455 | |
| Eastman Chemical Company Common Stock, Participant Directed | 6,642 | 76,267 | |
| Fidelity Magellan® Fund | 824 | 87,740 | |
| Fidelity Contrafund | 1,881 | 121,797 | |

| | | 2004 | |
|---|---------------|-------------------|--|
| | Shares | Fair value | |
| Eastman Chemical Company Common Stock, Non Participant Directed | 9,399 | \$ 127,294 | |
| Eastman Chemical Company Common Stock, Participant Directed | 5,987 | 79,328 | |
| Fidelity Magellan® Fund | 927 | 96,356 | |
| Fidelity Contrafund | 1,672 | 94,996 | |

During 2005 and 2004, the Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in value by \$14.5 million and \$116.5 million, respectively, as follows (in thousands):

| | Net Appreciation (Depreciation) | | | |
|---|--|----------|-------------|---------|
| | 2005 | | 2004 | |
| Eastman Chemical Company Common Stock, Non Participant Directed | \$ | (12,407) | \$ | 43,555 |
| Eastman Chemical Company Common Stock, Participant Directed | | (4,551) | | 30,349 |
| Mutual Funds | | 31,481 | | 42,600 |
| Total | \$ | 14,523 | \$ | 116,504 |

**Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements**

6. INSURANCE CONTRACTS

The Plan holds an interest in the Managed Income Fund, which invests in guaranteed investment contracts ("GICs"), which are contracts between an insurance company and the fund that provide for guaranteed returns on principal amounts invested over various periods of time. This participant-directed fund also invests in synthetic GICs. 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.

To meet daily liquidity needs, the Managed Income Fund invests in short-term interest funds similar to money markets. The average yield for the Managed Income Fund was 4.10% and 4.22% for 2005 and 2004, respectively. The weighted average crediting interest rate for the fund was 3.95% and 4.02% at December 30, 2005 and 2004, respectively. In accordance with ERISA regulations, investment contracts held by the fund are reported at values determined by the contract issuer in accordance with the terms of the contracts themselves. The fair value in accordance with Statement of Financial Accounting Standards No. 107 "*Disclosures about Fair Value of Financial Instruments*" of investments contracts and short-term interest investments held by the fund was \$623.5 million and \$622.1 million at December 30, 2005 and 2004, respectively. Crediting interest rate resets occur quarterly and/or annually under the provisions of each individual contract in the fund. There are no minimum crediting interest rates for any of the investment contracts in the fund at December 30, 2005 and 2004.

The value of the Managed Income Fund reflected in these financial statements is based upon the principal invested and the interest credited. The fair value of the Managed Income Fund, by investment type, as of December 30, 2005 and 2004 was as follows:

| (in thousands) | December 30, 2005 | December 30, 2004 |
|---------------------------------|------------------------------|------------------------------|
| Security backed investments: | | |
| Underlying assets at fair value | \$ 623,499 | \$ 622,097 |
| Wrapper contracts | 6,701 | (7,440) |
| Total contract value | \$ 630,200 | \$ 614,657 |

7. OTHER RECEIVABLES

Other receivables in the amount of \$2.7 million and \$3.0 million at December 30, 2005 and 2004, respectively represent interest and dividends receivable, as well as receivables from the sale of stock.

**Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements**

8. DIVERSIFICATION FROM ESOP FUND

Active or retired employees of the Company are eligible to diversify funds held in their ESOP Fund account. Effective July 2003, a participant may direct that all or any portion of his ESOP Fund account be transferred to other funds in the Plan without restrictions. This diversification is elected by employee notification to the IPCO who then transfers a portion of their account within the Plan for investment as directed by the participant. During 2005 and 2004, \$12.1 million and \$15.7 million, respectively, were transferred from the ESOP Fund within the Plan in connection with this program.

9. 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.

10. FEDERAL INCOME TAX STATUS

The Plan obtained its latest determination letter in May 2003, in which the Internal Revenue Service stated that the Plan is in compliance with the applicable requirements of the Internal Revenue Code. The Plan Administrator believes the Plan qualifies and operates in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

11. PLAN EXPENSES

Reasonable expenses of administering the Plan, unless paid by the Company, shall be paid by the Plan. For both 2005 and 2004, 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 incident 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, as the case may be. Loan administration fees are deducted quarterly from the accounts of participants with outstanding loan balances. Loan origination fees are deducted from the participants account at the inception of the loan. For 2005 and 2004, the Company paid all other expenses of the Plan related to plan oversight and administration, including auditing fees.

12. RELATED PARTIES

Certain plan investments are shares of mutual funds managed by Fidelity Management Trust Company, ("FMTC"). FMTC is 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 loans to Plan participants, both of which qualify as parties-in-interest to the Plan and are exempt from prohibited transaction rules.

**Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements**

13. ACCOUNTING PRONOUNCEMENTS

In December 2005, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position Nos. AAG INV-1 and SOP 94-4-1, *"Reporting of Fully Benefit-Responsive Investments Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pensions Plans"* ("FSP"). The FSP clarifies the definition of fully benefit-responsive investment contracts for contracts held by defined contribution plans. The FSP also establishes enhanced financial statement presentation and disclosure requirements for defined contribution plans subject to the FSP. The FSP is effective for financial statements issued for periods ending after December 15, 2006.

Management intends to adopt the FSP in the Plan's financial statements for the year ended December 30, 2006. The effect of the FSP on the Plan's financial statements is expected to be enhanced financial statement presentation and disclosure requirements including the following:

Benefit-responsive investment contracts will be presented at fair-value on the statement of net assets available for benefits and the amount representing the difference between fair value and contract value of the investment contracts shall be presented on the face of the statement of net assets available for benefits as a single amount, calculated as the sum of the amounts necessary to adjust the portion of net assets attributable to each fully benefit-responsive investment contract from fair value to contract value. The statement of changes in net assets available for benefits shall be prepared on a basis that reflects income credited to participants in the Plan and net appreciation or depreciation in the fair value of only those investment contracts that are not deemed to be fully benefit responsive.

A description of the nature of the benefit-responsive investment contracts, how they operate, and the methodology for calculating the interest crediting rate.

The average yield earned by the Plan for all fully benefit-responsive investment contracts for the year.

The average yield earned by the Plan for all fully benefit-responsive investment contracts with an adjustment to reflect the actual interest rate credited to participants in the Plan for the year.

A description of the events that limit the ability of the Plan to transact at contract value with the issuer.

A description of the events and circumstances that would allow issuers to terminate fully benefit-responsive investment contracts with the Plan and settle at an amount different from contract value.

Eastman Investment and Employee Stock Ownership Plan
Schedule H, Line 4 (i) - Schedule of Assets (Held at End of Year)
December 30, 2005
(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, 6,642 shares | ** | 76,267 |
| * | Eastman Chemical Company | Interest Bearing Cash | ** | 2,485 |
| * | Eastman Chemical Company | Common stock, Non Participant directed, 8,420 shares | 103,681 | 102,455 |
| * | Eastman Chemical Company | Interest Bearing Cash | ** | 971 |
| * | Fidelity Fund | Registered Investment Company, 1,359 shares | ** | 43,273 |
| * | Fidelity Puritan Fund | Registered Investment Company, 2,503 shares | ** | 46,873 |
| * | Fidelity Magellan Fund | Registered Investment Company, 824 shares | ** | 87,740 |
| * | Fidelity Contrafund | Registered Investment Company, 1,881 shares | ** | 121,797 |
| * | Fidelity Spartan U.S. Equity Index Portfolio | Registered Investment Company, 795 shares | ** | 35,097 |
| * | Fidelity International Discovery Fund | Registered Investment Company, 1,038 shares | ** | 32,866 |
| * | PIMCO Total Return Fund | Registered Investment Company, 2,130 shares | ** | 22,365 |
| * | Templeton Foreign Fund | Registered Investment Company, 744 shares | ** | 9,431 |
| * | Neuberger and Berman Genesis Trust Fund | Registered Investment Company, 1,451 shares | ** | 70,458 |
| * | Fidelity Blue Chip Growth Fund | Registered Investment Company, 346 shares | ** | 14,935 |
| * | Fidelity Freedom Income Fund | Registered Investment Company, 124 shares | ** | 1,413 |
| * | Fidelity Freedom 2000 Fund | Registered Investment Company, 110 shares | ** | 1,342 |
| * | Fidelity Freedom 2010 Fund | Registered Investment Company, 511 shares | ** | 7,173 |
| * | Fidelity Freedom 2020 Fund | Registered Investment Company, 705 shares | ** | 10,368 |
| * | Fidelity Freedom 2030 Fund | Registered Investment Company, 443 shares | ** | 6,657 |
| * | Fidelity Freedom 2040 Fund | Registered Investment Company, 263 shares | ** | 2,319 |
| * | | | ** | 10,201 |

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| | | | | |
|---|--|---|----|--------|
| | Fidelity Spartan Extended Market Index Portfolio | Registered Investment Company, 294 shares | | |
| * | Fidelity Spartan International Index Fund | Registered Investment Company, 163 shares | ** | 5,835 |
| * | Participant Loans | Participant Loan Fund with terms ranging from 3-123 months and rates ranging from 4% to 10.5% | ** | 28,888 |
| * | Fidelity Retirement Money Market | Registered Investment Company, 1 share | ** | 1 |
| * | Clipper Fund | Registered Investment Company, 122 shares | ** | 10,798 |
| * | Franklin Small Mid Cap Growth Fund | Registered Investment Company, 722 shares | ** | 27,240 |
| * | TCW Galileo Select Equities Fund | Registered Investment Company, 182 shares | ** | 3,698 |
| * | WFA Small Cap Val Z | Registered Investment Company, 970 shares | ** | 29,251 |

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| * | Managed Income Fund, consisting of the following: | | ** | |
| | Fidelity short term cash fund | CASH | | 5,105 |
| | AXA Financial Inc | Corporate bond 7.75% 8/01/10 | | 1,066 |
| | Accredited Mortgage Loan Trust ACCR 03-2 A1 | Mortgage backed security 4.23% 10/33 | | 492 |
| | Accredited Mortgage Loan Trust ACCR 03-3 A1 | Mortgage backed security 4.46% 12/33 | | 467 |
| | ACE Securities Corp ACE 03-HS1 M1 | Mortgage backed security 1ML+75 6/33 | | 75 |
| | ACE Securities Corp ACE 03-HS1 M2 | Mortgage backed security 1ML+175 6/33 | | 102 |
| | ACE Securities Corp ACE 03-NC1 M1 | Mortgage backed security 1ML+78 7/33 M | | 171 |
| | ACE Securities Corp ACE 03-HE1 M1 | Mortgage backed security 1ML+65 11/33 | | 201 |
| | ACE Securities Corp ACE 04-FM1 M1 | Mortgage backed security 1ML+60 9/33 | | 152 |
| | ACE Securities Corp ACE 02-HE1 M1 | Mortgage backed security 1ML+65 6/32 | | 207 |
| | Aesop Funding II LLC AESOP 05-1A A1 | Mortgage backed security 3.95% 4/08 | | 980 |
| | AIFUL Corporation | Corporate bond 4.45% 2/16/10 144A | | 2,509 |
| | AIFUL Corporation | Corporate bond 5% 8/10/10 144A | | 1,193 |
| | Alabama Power Co | Corporate bond 3.5% 11/15/07 | | 553 |
| | Alliance Capital Management LP | Corporate bond 5.625% 8/15/06 | | 2,717 |
| | Alltel Corp | Corporate bond 4.656% 5/17/07 | | 2,788 |
| | America Movil SA | Corporate bond 4.125% 3/1/09 | | 1,281 |
| | American General Finance Corp | Corporate bond 2.75% 6/15/08 | | 498 |
| | American General Finance Corp | Corporate bond 4.625% 5/15/09 | | 1,125 |
| | American General Finance Corp | Corporate bond 3.875% 10/1/09 | | 431 |
| | American General Finance Corp | Corporate bond 4.875% 5/15/10 | | 2,185 |
| | American Honda Finance Corp | | | 1,194 |

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| | | |
|---------------------------------|-------------------------------|-------|
| | Corporate bond 4.5% 5/26/09 | |
| | 144A | |
| | Corporate bond 4.25% 3/11/08 | |
| American Honda Finance Corp | 144A | 1,867 |
| AmeriCredit Automobile | | |
| Receivables Trust AMCAR 03-CF | Mortgage backed security | |
| A4 | 3.48% 5/10 | 842 |
| AmeriCredit Automobile | | |
| Receivables Trust AMCAR 04-BM | Mortgage backed security | |
| A3 | 2.07% 8/08 | 527 |
| AmeriCredit Automobile | Mortgage backed security | |
| Receivables Trust AMCAR 04-1 A3 | 3.22% 7/08 | 432 |
| AmeriCredit Automobile | Mortgage backed security 3.7% | |
| Receivables Trust AMCAR 04-1 B | 1/09 | 74 |
| AmeriCredit Automobile | Mortgage backed security | |
| Receivables Trust AMCAR 04-1 C | 4.22% 7/09 | 79 |
| AmeriCredit Automobile | | |
| Receivables Trust AMCAR 04-CA | Mortgage backed security | |
| A4 | 3.61% 5/11 | 293 |
| AmeriCredit Automobile | | |
| Receivables Trust AMCAR 04-DF | Mortgage backed security | |
| A3 | 2.98% 7/09 | 576 |
| AmeriCredit Automobile | | |
| Receivables Trust AMCAR 04-DF | Mortgage backed security | |
| A4 | 3.43% 7/11 | 762 |
| AmeriCredit Automobile | | |
| Receivables Trust | Mortgage backed security | |
| AMCAR 05/1 A3 | 4.26% 5/09 | 458 |
| AmeriCredit Automobile | | |
| Receivables Trust | Mortgage backed security | |
| AMCAR 05-BM A3 | 4.05% 2/10 | 920 |
| AmeriCredit Automobile | | |
| Receivables Trust | Mortgage backed security | |
| AMCAR 05-CF A4 | 4.63% 6/12 | 1,401 |
| AmeriCredit Automobile | | |
| Receivables Trust | Mortgage backed security | |
| AMCAR 05-DA A3 | 4.87% 12/10 | 1,339 |

Eastman Investment and Employee Stock Ownership Plan
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| | Ameriprise Finl Inc | Corporate bond 5.35% 11/15/10 | | 511 |
| | Ameriquest Mortgage Securities Inc | Mortgage backed security | | |
| | AMSI 03-3 M1 | 1ML+80 3/33 | | 176 |
| | Ameriquest Mortgage Securities Inc | Mortgage backed security | | |
| | AMSI 04-R2 M1 | 1ML+43 4/34 | | 125 |
| | Ameriquest Mortgage Securities Inc | Mortgage backed security | | |
| | AMSI 04-R2 M2 | 1ML+48 4/34 | | 100 |
| | ANZ Natl (Intl) Ltd | Corporate bond 4.265 5/16/05 144 | | 1,805 |
| | ARGF Funding Corp | Mortgage backed security | | |
| | ARGF 05-1 A1 | 4.02% 4/09 | | 1,618 |
| | ARGF Funding Corp | Mortgage backed security | | |
| | ARGF 05-2 A1 | 4.54% 5/09 | | 1,285 |
| | Asset Backed Securities Corp Home | Mortgage backed security 4 | | |
| | Equity ABSHE 03-HE5 A2B | 8/33 | | 43 |
| | Asset Backed Securities Corp Home | Mortgage backed security | | |
| | Equity ABSHE 03-HE6 M1 | 1ML+65 11/33 | | 378 |
| | Asset Backed Securities Corp Home | Mortgage backed security | | |
| | Equity ABSHE 04-HE3 M1 | 1ML+54 6/34 | | 151 |
| | Associates Corp Of N. America | Corporate bond 6.875% 11/15/08 | | 127 |
| | Associates Corp Of N. America | Corporate bond 6.25% 11/01/08 | | 821 |
| | AT&T Wireless | Corporate Bond 7.875% 3/01/11 | | 1,648 |
| | BTM Curacao Holding NV | Corporate bond 4.76% 7/21/15 144A | | 416 |
| | Ball Corp 05-ESHAX1 | Interest only strip CSTR 7/20 | | 431 |
| | Banc of America Commercial | Mortgage backed security | | |
| | Mortgage Inc BACM 04-6 XP | Interest only strip CSTR 12/42 | | 162 |
| | Banc of America Commercial | Mortgage backed security | | |
| | Mortgage Inc BACM 04-2 A3 | 4.05% 11/38 | | 2,145 |
| | Banc of America Commercial | Mortgage backed security | | |
| | Mortgage Inc BACM 04-4 A3 | 4.128% 7/42 | | 668 |
| | Banc of America Commercial | Mortgage backed security | | |
| | Mortgage Inc BACM 04-5 XP | Interest only strip CSTR 11/41 | | 237 |
| | Banc of America Commercial | Mortgage backed security | | 1,145 |
| | Mortgage Inc | 4.716% 8/10 | | |

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|-----------------------------|-------------------------------|-------|
| BACM 05-5 A1 | | |
| Banc of America Commercial | | |
| Mortgage Inc | Mortgage backed security | |
| BACM 05-6 A1 | 5.001% 9/47 | 704 |
| Banc of America Commercial | | |
| Mortgage Inc | Mortgage backed security | |
| BACM 05-1 A2 | 4.64% 11/42 | 1,446 |
| Banc of America Commercial | | |
| Mortgage Inc | Mortgage backed security | |
| BACM 2003-2 A2 | 4.342% 3/41 | 1,306 |
| Banc of America Commercial | | |
| Mortgage Inc | | |
| BACM 05-3 A3B | Interest only strip CSTR 7/43 | 946 |
| Banc of America Commercial | | |
| Mortgage Inc | | |
| BACM 05-3 XP | Interest only strip CSTR 7/43 | 357 |
| Banc of America Commercial | | |
| Mortgage Inc | Mortgage backed security | |
| BACM 05-4 A1 | 4.432 7/45 | 848 |
| Banc of America Commercial | | |
| Mortgage Inc | | |
| BACM 05-4 XP | Interest only strip CSTR 7/45 | 101 |
| | Corporate bond 4.25%/3ML | |
| Bank of New York Co Inc/The | 9/4/12 | 602 |
| | Corporate bond 3.4/3ML+148 | |
| Bank of New York Co Inc/The | 3/15/13 | 2,086 |
| Bank of Tokyo MIT GL | Corporate bond 8.4% 4/15/10 | 1,221 |
| Bank One Corp | Corporate bond 6% 8/01/08 DT | 1,062 |
| Bank One Texas | Corporate bond 6.25% 2/15/08 | 630 |

Eastman Investment and Employee Stock Ownership Plan
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| 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 One | Corporate bond 2.625% 6/30/08 | | | 2,113 |
| Bank One Issuance Trust BOIT 04-B2 B2 | Mortgage backed security 4.37% 4/12 | | | 1,365 |
| BankAmerica Corp/Old | Corporate bond 6.25% 4/01/08 Corporate bond 8.875% | | | 245 |
| Bank UTD Cop | 5/01/07 | | | 1,281 |
| Bayview Financial Acquisition Trust BAYV 04-C A1 | Mortgage backed security 1ML+42 5/44 | | | 708 |
| Bayview Commercial Asset Trust BAYC 04-2 A1 | Mortgage backed security 1ML+43 8/34 | | | 610 |
| Bayview Commercial Asset Trust BAYC 04-2 M1 | Mortgage backed security 1ML+58 8/34 | | | 195 |
| Bayview Commercial Asset Trust BAYC 04-3 M1 | Mortgage backed security 1ML+50 1/35 | | | 136 |
| Bayview Commercial Asset Trust BAYC 04-3 M2 | Mortgage backed security 1ML+100 1/35 | | | 91 |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-ESA B | Mortgage backed security 4.888% 5/16 | | | 344 |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-ESA C | Mortgage backed security 4.937% 5/16 | | | 390 |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-ESA D | Mortgage backed security 4.986% 5/16 | | | 140 |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-ESA E | Mortgage backed security 5.064% 5/16 | | | 442 |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-ESA F | Mortgage backed security 5.182% 5/16 | | | 105 |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-PWR5 A2 | Mortgage backed security 4.254% 7/42 | | | 629 |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-PWR5 X2 | Interest only strip CSTR 7/42 | | | 205 |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-T16 A3 | Mortgage backed security 4.03% 2/46 | | | 1,508 |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-PWR6 X2 | Interest only strip CSTR 11/41 | | | 128 |
| Bear Stearns Commercial Mortgage Securities BSCMS 03-PWR2 A3 | Mortgage backed security 4.83% 5/39 | | | 421 |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-ESA A3 | Mortgage backed security 4.741% 5/16 | | | 1,118 |
| Bear Stearns Commercial Mortgage | Interest only strip CSTR 8/39 | | | 67 |

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| | | |
|----------------------------------|-------------------------------|-------|
| Securities BSCMS 03-T12 X2 | | |
| Bear Stearns Commercial Mortgage | Mortgage backed security | |
| Securities BSCMS 05-PER9 A1 | 4.498% 9/42 | 1,334 |
| Bear Stearns Commercial Mortgage | Mortgage backed security | |
| Securities BSCMS 05-T20 A1 | 4.94% 10/42 | 1,232 |
| Bear Stearns Asset Backed | Mortgage backed security | |
| Securities Inc BSABS 04-BO1 M3 | 1ML+105 9/34 | 262 |
| Bear Stearns Asset Backed | Mortgage backed security | |
| Securities Inc BSABS 04-BO1 M4 | 1ML+120 9/34 | 223 |
| Bear Stearns Asset Backed | Mortgage backed security | |
| Securities Inc BSABS 04-BO1 M5 | 1ML+140 9/34 | 211 |
| Bear Stearns Assest Backed | | |
| Securities Inc | | |
| ARM 05-3 1A1 | Interest only strip CSTR 8/35 | 1,619 |
| | Corporate bond 4.2% 9/15/09 | |
| BellSouth Corp | DT | 851 |
| Berkshire Hathaway | Corporate bond 3.4% 7/2/07 | 1,185 |
| Boeing Cap Glbl | Corporate bond 5.75% 2/15/07 | 655 |
| | Corporate bond 8.12% 5/8.375 | |
| British Telecommunications PLC | 12/10 | 1,393 |

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|-----|--|---|-----------------|---------------|
| | 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 |
| | CDC Mortgage Capital Trust CDCMC 03-HE3 M1 | Mortgage backed security 1ML+70 11/33 | | 248 |
| | Cendant Timeshare Receivables Funding | Mortgage backed security | | |
| | CDTIM 05-1 A1 | 4.67% 5/17 | | 512 |
| | CIT Equipment Collateral CITEC 05-VT1A3 | Mortgage backed security 4.12% 8/08 | | 1,037 |
| | CIT Equipment Collateral CITEC 05-VT1A4 | Mortgage backed security 4.36% 11/12 | | 213 |
| | CIT Group Inc | Corporate bond 3.375% 4/01/09 | | 499 |
| | CIT Group Inc | Corporate bond 3.65% 11/23/07 | | 1,030 |
| | CIT Group Inc | Corporate bond 5% 11/24/08 | | 1,015 |
| | CNH Equipment Trust CNH 05-A A3 | Mortgage backed security 4.02% 4/09 | | 822 |
| | CNH Equipment Trust CNH 05-B A3 | Mortgage backed security 4.27% 1/10 | | 1,408 |
| | CNH Equipment Trust CNH 05-B B | Mortgage backed security 4.57% 7/12 | | 399 |
| | Commercial Mortgage Pass-Through Certificate COMM 05-C6 XP | Interest only strip CSTR 6/44 | | 157 |
| | Countrywide Asset-Backed Certificates CWL 04-3 M1 | Mortgage backed security 1ML+50 6/34 | | 150 |
| | Countrywide Asset-Backed Certificates CWL 04-4 A | Mortgage backed security 1ML+37.5 8/34 | | 171 |
| | Countrywide Asset-Backed Certificates CWL 04-4 M1 | Mortgage backed security 1ML+48 7/34 | | 376 |
| | Countrywide Asset-Backed Certificates CWL 03-SD3 A1 | Mortgage backed security 1ML+42 12/32 | | 59 |
| | Countrywide Home Loan Mortgage Pass CWHL 02-25 2A1 Through Trust | Mortgage backed security 5.5% 11/17 | | 298 |
| | Canadian IMP Bk Comm NY CIBC # Y\$CD | Certificate of Deposit 4.375% 7/28/2008 | | 815 |
| | Capital Auto Receivables Asset Trust CARAT 04-2 A2 | Mortgage backed security 3.35% 2/08 | | 880 |
| | Capital Auto Receivables Asset Trust | Mortgage backed security 2.64% 11/08 | | 651 |

| | | |
|--|-------------------------------|-------|
| CARAT 04/1 A4 | | |
| Capital Auto Receivables Asset Trust | Mortgage backed security | |
| CARAT 05/1 A4 | 4.05% 7/09 | 1,293 |
| | Corporate bond 4.875% | |
| Capital One Mtn | 5/15/08 | 301 |
| | Corporate bond 4.25% | |
| Capital One Mtn | 12/01/08 | 294 |
| Capital One Auto Finance Trust COAFT 04-B A3 | Mortgage backed security | |
| | 2.96% 4/09 | 718 |
| Capital One Auto Finance Trust COAFT 05-A A3 | Mortgage backed security | |
| | 4.28% 7/09 | 1,068 |
| Capital One Auto Finance Trust COAFT 05-BSSC | Mortgage backed security | |
| | 4.48% 12/10 | 949 |
| Capital One Auto Finance Trust COAFT 05-C A4 | Mortgage backed security | |
| | 4.71% 6/12 | 2,923 |
| Capital One Auto Finance Trust COAFT 05-D A3 | Mortgage backed security | |
| | 4.81% 3/10 | 602 |
| Capital One Multi-Asset Execution Trust COMET 03-2B | Mortgage backed security 3.5% | |
| | 2/09 | 683 |
| Capital One Multi-Asset Execution Trust COMET 04-B5 B5 | Mortgage backed security 3.7% | |
| | 5/10 | 1,583 |
| Capital One Multi-Asset Execution Trust COMET 04-B6 B6 | Mortgage backed security | |
| | 4.155% 7/12 | 1,125 |

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| Capital One Multi-Asset Execution Trust | Mortgage backed security 4.5% | | | |
| COMET 2003-B3 B3 | 6/11 | | | 1,849 |
| Capital One Multi-Asset Execution Trust | Mortgage backed security | | | |
| COMET 05-A2A2 | 4.05% 2/11 | | | 1,859 |
| Capital One Prime Auto Receivables Trust COPAR 04-3 A3 | Mortgage backed security 3.39% 1/09 | | | 869 |
| Capital One Prime Auto Receivables Trust | Mortgage backed security | | | |
| COPAR 2003-2 A4 | 2.88% 6/10 | | | 825 |
| Capital Trust Re CDO Ltd CTCDO 04-1A A2 | Mortgage backed security 1ML+45 7/39 | | | 300 |
| Capital Trust Re CDO Ltd CTCDO 04-1A B | Mortgage backed security 1ML+75 7/39 | | | 160 |
| Capital Trust Re CDO Ltd CTCDO 04-1A C | Mortgage backed security 1ML+110 7/39 | | | 205 |
| Chase Commercial Mortgage Securities Corp CCMSC 99-2 A1 | Mortgage backed security 7.032% 1/32 | | | 283 |
| Chase Insurance Trust CCMSC 99-2 A1 | Mortgage backed security 4.52% 12/10 | | | 6,315 |
| Chile Government International Bond CHILE REP GLB | Corporate bond 6.875% 4/28/09 DT | | | 43 |
| Chile Government International Bond CHILE REP GLB | Corporate bond 5.625% 7/23/07 DT | | | 1,052 |
| Chubb Corp CHUBB CORP | Corporate bond 3.95% 4/01/08 | | | 163 |
| Chubb Corp | Corporate bond 4.934% 11/16/07 | | | 2,283 |
| Citigroup Inc | Corporate bond 3.5% 2/01/08 | | | 721 |
| Citibank Credit Card Issuance Trust CCCIT 03-A6 A6 | Mortgage backed security 2.9% 5/10 | | | 466 |
| Citibank Credit Card Issuance Trust CCCIT 04-A4 | Mortgage backed security 3.2% 8/09 | | | 1,661 |
| Citibank Credit Card Issuance Trust CCCIT 05-B1 B1 | Mortgage backed security 4.4% 9/10 | | | 3,468 |
| Citigroup Commercial Mortgage Trust CGCMT 04-C2 XP | Interest only strip CSTR 10/41 | | | 209 |
| Citigroup Commercial Mortgage Trust | Mortgage backed security | | | |
| CGCMT 05-EMG A2 | 4.2211% 9/51 | | | 472 |

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| | | |
|---|---|-------|
| Commercial Mortgage Pass Through Certificates COMM 99-1 A2 | Mortgage backed security 6.455% 5/32 | 1,142 |
| Commercial Mortgage Pass Through Certificates COMM 04-CNL X1 | Interest only strip CSTR 9/14 | 76 |
| Commercial Mortgage Pass Through Certificates COMM 04-CNL B | Mortgage backed security 1ML+40 9/14 | 200 |
| Commercial Mortgage Pass Through Certificates COMM 04-CNL D | Mortgage backed security 1ML+64 9/14 | 60 |
| Commercial Mortgage Pass Through Certificates COMM 04-CNL E | Mortgage backed security 1ML+70 9/14 | 85 |
| Commercial Mortgage Pass Through Certificates COMM 04-CNL F | Mortgage backed security 1ML+80 9/14 | 65 |
| Commercial Mortgage Pass Through Certificates COMM 04-HTL1 B | Mortgage backed security 1ML+45 7/16 | 27 |
| Commercial Mortgage Pass Through Certificates security COMM 04-HTL1 D | Mortgage backed 1ML+55 7/16 | 64 |
| Commercial Mortgage Pass Through Certificates COMM 04-HTL1 E | Mortgage backed security 1ML+75 7/16 | 45 |
| Commercial Mortgage Pass Through Certificates COMM 04-HTL1 F | Mortgage backed security 1ML+80 7/16 | 48 |

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| Commercial Mortgage Pass Through Certificates COMM 04-LNB4 XP | Interest only strip CSTR 10/37 | | 377 | |
| Commercial Mortgage Pass Through Certificates COMM 05-LP5 A2 | Mortgage backed security 4.63% 5/43 | | 1,308 | |
| Commercial Mortgage Pass Through Certificates COMM 05-LP5 XP | Interest only strip CSTR 5/43 | | 153 | |
| Commercial Mortgage Acceptance Corp CMAC 98-C2 B | Mortgage backed security CSTR 9/30 | | 1,742 | |
| Commercial Mortgage Asset Trust CMAT 99-C1 A3 | Mortgage backed security 6.64% 1/32 Corporate bond 5.375% | | 352 | |
| Consolidated Natural Gas Co Constellation Energy GRP | 11/01/06 Corporate bond 6.35% 4/01/07 Corporate bond 6.125% | | 708 1,238 | |
| Constellation Energy GRP | 9/01/09 | | 568 | |
| Costco Wholesale Corp | Corporate bond 5.5% 3/15/07 | | 470 | |
| CS First Boston Mortgage Securities Corp CSFB 97-C2 A2 | Mortgage backed security 6.52% 1/35 | | 18 | |
| CS First Boston Mortgage Securities Corp CSFB 97-C2 A3 | Mortgage backed security 6.55% 1/35 | | 642 | |
| CS First Boston Mortgage Securities Corp CFSB 99-C1 A2 | Mortgage backed security 7.29% 9/41 | | 2,926 | |
| CS First Boston Mortgage Securities Corp CFSB 01-CK3 A3 | Mortgage backed security 6.4% 6/34 | | 593 | |
| CS First Boston Mortgage Securities Corp CSFB 03-C5 A3 | Mortgage backed security 4.429% 12/36 | | 950 | |
| CS First Boston Mortgage Securities Corp CSFB 03-C4 A3 | Interest only strip CSTR 8/36 | | 562 | |
| CS First Boston Mortgage Securities Corp CSFB 04-C1 A3 | Mortgage backed security 4.321% 1/37 | | 508 | |
| CS First Boston Mortgage Securities Corp CSFB 04-C4 ASP | Interest only strip CSTR 10/39 | | 211 | |
| CS First Boston Mortgage Securities Corp CSFB 04-HC1 A2 | Mortgage backed security 1ML+50 12/21 | | 170 | |
| | | | 441 | |

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|--|--|-------|
| CS First Boston Mortgage Securities Corp | Mortgage backed security 1ML+75 12/21 | |
| CS First Boston Mortgage Securities Corp | | |
| CSFB 05-C1 ASP | Interest only strip 2/38 | 175 |
| CS First Boston Mortgage Securities Corp | | |
| CSFB 05-C4 ASP | Interest only strip 8/38 | 411 |
| CS First Boston Mortgage Securities Corp | | |
| CSFB 05-C2 ASP | Interest only strip 4/37 | 229 |
| Crown Castle International CCI05-1A B | Mortgage backed security 4.878% 6/35 | 518 |
| Crown Castle International CCI05-1A B | Mortgage backed security 5.074% 6/35 | 472 |
| DLJ Commercial Mortgage Corp DLJCM 99-CG1 A1B | Mortgage backed security 6.46% 3/32 | 1,036 |
| DLJ Commercial Mortgage Corp DLJCM 1999-CG10A3 | Mortgage backed security 6.77% 3/32 | 1,426 |
| DLJ Commercial Mortgage Corp DLJCM 00-CF1A1B | Mortgage backed security 7.62% 6/33 | 928 |
| DaimlerChrysler NA Holding Corp | Corporate bond 4.75% 1/15/08 Corporate bond 9/10/07 SER D | 1,919 |
| DaimlerChrysler NA Holding Corp #36 | | 632 |
| Daimler Chrysler Auto Trust DCAT 04-C A3 | Mortgage backed security 2.98% 8/08 | 1,461 |
| Daimler Chrysler Auto Trust DCAT 05-B A3 | Mortgage backed security 4.04% 9/09 | 803 |

Eastman Investment and Employee Stock Ownership Plan
Schedule H, Line 4 (i) - Schedule of Assets (Held at End of Year)
December 30, 2005
(in thousands)

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| John Deere Capital Corp | Corporate bond 3.9% 1/15/08 DT | | 799 | |
| John Deere Capital Corp | Corporate bond 3.375% 10/1/07 | | 1,091 | |
| John Deere Mtn | Corporate bond 4.375% 3/14/08 | | 972 | |
| Diversified Reit Trust DRT00-1A A2 | Mortgage backed security 6.971% 3/10 | | 734 | |
| RR Donnelley & Sons Co | Corporate bond 3.75% 4/1/09 | | 1,842 | |
| Drive Insurance 05-1 A3 | Mortgage backed security 3.75% 4/09 | | 484 | |
| Drive Insurance 05-3 A3 | Mortgage backed security 4.99% 10/10 | | 1,305 | |
| Exelon General Global | Corporate bond 6.95% 6/15/11 | | 1,368 | |
| Federal Farm Credit Bank | Government bond 3.25% 6/15/07 | | 5,114 | |
| Federal Home Loan Bank | Government bond 4.25% 4/16/07 | | 3,514 | |
| FPL Group Capital Inc | Corporate bond 3.25% 4/11/06 | | 331 | |
| FPL Group Capital Inc | Corporate bond 5.551% 2/16/08 | | 741 | |
| Freddie Mac | FHLMC 3.875% 1/12/09-1/06 | | 1,728 | |
| Freddie Mac | FHLMC 4.48% 9/19/08 | | 2,756 | |
| Freddie Mac FHR 1608 J | Mortgage backed security 6/22 | | 395 | |
| Freddie Mac FHR 1644 IA | Mortgage backed security 6.75% 8/23 | | 157 | |
| Freddie Mac FHR 2292 QT | Mortgage backed security 6.5% 5/30 | | 49 | |
| Freddie Mac | FHLMC 4.25% 7/15/09 | | 8,031 | |
| Freddie Mac | FHLMC 4.00% 8/17/07 | | 6,610 | |
| Freddie Mac | FHLMC 5.00% 5/14 #E76434 | | 27 | |
| Freddie Mac | FHLMC 5.00% 6/14 #E77224 | | 105 | |
| Freddie Mac | FHLMC 4.889% 3/33 #847126 | | 50 | |
| Freddie Mac | FHLMC 4.314% 12/34 #1B2670 | | 125 | |
| Freddie Mac | FHLMC 4.106% 12/34 #1B2699 | | 107 | |
| Freddie Mac | FHLMC 4.497% 6/35 #1B2907 | | 175 | |
| Freddie Mac | FHLMC 4.307% 5/35 #847408 | | 230 | |

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| | | |
|-----------------|---------------------------|--------|
| Freddie Mac | FHLMC 4.00% 2/35 #1G0068 | 215 |
| Freddie Mac | FHLMC 4.37% 3/35 #1G0125 | 204 |
| Freddie Mac | FHLMC 4.401% 2/35 #1G0103 | 280 |
| Freddie Mac | FHLMC 4.444% 3/35 #1G0133 | 141 |
| Freddie Mac | FHLMC 4.504% 3/35 #1G0145 | 156 |
| Freddie Mac | FHLMC 4.498% 3/35 #1L0123 | 914 |
| Freddie Mac | FHLMC 5.034% 4/35 #1N0002 | 766 |
| Freddie Mac | FHLMC 5.676% 4/32 #789284 | 32 |
| | FHLMC 4.819% 10/32 | |
| Freddie Mac | #1B0610 | 20 |
| Freddie Mac | FHLMC 4.441% 2/34 #781229 | 155 |
| Freddie Mac | FHLMC 4.13% 12/34 #782916 | 147 |
| Freddie Mac | FHLMC 4.985% 8/33 #782926 | 68 |
| Freddie Mac | FHLMC 4.232% 1/35 #782988 | 460 |
| Freddie Mac | FHLMC 4.434% 2/35 #783032 | 295 |
| Freddie Mac | FHLMC 4.307% 3/35 #783067 | 140 |
| Fannie Mae | FNMA 6.00% 5/15/08 | 9,737 |
| Fannie Mae | FNMA 5.25% 1/15/09 | 9,963 |
| Fannie Mae | FNMA 6.625% 9/15/09 | 6,295 |
| Fannie Mae | FNMA 4.75% 1/02/07 SUBS | 8,584 |
| Fannie Mae | FNMA 4.00% 9/02/08 SUBS | 2,353 |
| Fannie Mae | FNMA 3.375% 12/15/2008 | 6,081 |
| Fannie Mae | FNMA 3.25% 2/15/09 | 422 |
| Fannie Mae | FNMA 4.50% 10/15/08 | 31,375 |
| | FNMA 15YR 7.00% 8/08 | |
| Fannie Mae Pool | #252068 | 55 |
| | FNMA 15YR 7.00% 1/13 | |
| Fannie Mae Pool | #251428 | 11 |
| | FNMA 15YR 6.50% 11/13 | |
| Fannie Mae Pool | #323755 | 459 |
| | FNMA 15YR 7.00% 8/14 | |
| Fannie Mae Pool | #323877 | 90 |
| | FNMA 15YR 6.00% 3/14 | |
| Fannie Mae Pool | #487614 | 45 |

Eastman Investment and Employee Stock Ownership Plan
Schedule H, Line 4 (i) - Schedule of Assets (Held at End of Year)
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| Fannie Mae Pool | FNMA 15YR 6.50% 9/14 #514373 | | | 3 |
| Fannie Mae Pool | FNMA 15YR 6.00% 11/14 #520642 | | | 32 |
| Fannie Mae Pool | FNMA 15YR 7.00% 11/14 #522277 | | | 34 |
| Fannie Mae Pool | FNMA 15YR 6.50% 10/13 #535234 | | | 866 |
| Fannie Mae Pool | FNMA 15YR 7.00% 6/16 #545122 | | | 28 |
| Fannie Mae Pool | FNMA 15YR 7.00% 2/16 #569915 | | | 86 |
| Fannie Mae Pool | FNMA 15YR 6.00% 10/16 #589129 | | | 43 |
| Fannie Mae Pool | FNMA 15YR 7.00% 8/16 #599602 | | | 91 |
| Fannie Mae Pool | FNMA 15YR 7.00% 1/21 #TBA | | | 1,135 |
| Fannie Mae Pool | FNMA 15YR 7.00% 4/17 #636135 | | | 343 |
| Fannie Mae Pool | FNMA 15YR 6.50% 4/17 #637244 | | | 261 |
| Fannie Mae Pool | FNMA 15YR 6.00% 11/17 #671380 | | | 228 |
| Fannie Mae Pool | FNMA 15YR 6.00% 11/17 #672789 | | | 72 |
| Fannie Mae Pool | FNMA 15YR 6.00% 12/17 #673965 | | | 110 |
| Fannie Mae FNR 02-18 PE | Mortgage backed security 5.5% 6/16 | | | 2,001 |
| Fannie Mae Pool | FNMA 15YR 6.00% 2/18 #684153 | | | 23 |
| Fannie Mae Pool | FNMA 15YR 7.00% 2/18 #693327 | | | 334 |
| Fannie Mae Pool | FNMA 15YR 4.00% 8/18 #727438 | | | 1,464 |
| Fannie Mae Pool | FNMA ARM 3.878% 6/33 #723633 | | | 387 |
| Fannie Mae Pool | FNMA ARM 3.975% 11/34 #781809 | | | 180 |

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| | | |
|-----------------|----------------------------------|-----|
| Fannie Mae Pool | FNMA ARM 4.025% 1/35 #781871 | 168 |
| Fannie Mae Pool | FNMA ARM 4.25% 2/35 #255658 | 110 |
| Fannie Mae Pool | FNAM ARM 4.35% 8/33 #555696 | 199 |
| Fannie Mae Pool | FNMA ARM 4.710% 10/32 #648938 | 23 |
| Fannie Mae Pool | FNMA ARM 4.986% 11/32 #668236 | 71 |
| Fannie Mae Pool | FNMA ARM 4.732% 10/32 #668509 | 26 |
| Fannie Mae Pool | FNMA ARM 4.925% 12/32 #677026 | 11 |
| Fannie Mae Pool | FNMA ARM 3.828% 4/33 #688969 | 295 |
| Fannie Mae Pool | FNMA ARM 4.646% 1/33 #689554 | 64 |
| Fannie Mae Pool | FNMA ARM 4.708% 2/33 #693344 | 20 |
| Fannie Mae Pool | FNMA ARM 4.318% 3/33 #694530 | 43 |
| Fannie Mae Pool | FNMA ARM 4.292% 3/33 #701296 | 113 |
| Fannie Mae Pool | FNMA ARM 3.984% 5/33 #703915 | 30 |
| Fannie Mae Pool | FNMA ARM 4.079% 4/33 #708221 | 34 |
| Fannie Mae Pool | FNMA ARM 4.351% 6/33 #720921 | 53 |
| Fannie Mae Pool | FNMA ARM 3.836% 6/33 #723760 | 68 |
| Fannie Mae Pool | FNMA ARM 4.479% 4/34 #725361 | 146 |
| Fannie Mae Pool | FNMA ARM 3.765% 7/34 #725834 | 412 |
| Fannie Mae Pool | FNMA ARM 4.862% 9/34 #725855 | 181 |
| Fannie Mae Pool | FNMA ARM 4.832% 8/34 #725858 | 104 |
| Fannie Mae Pool | FNMA ARM 4.409% 10/34 #725968 | 517 |
| Fannie Mae Pool | FNMA ARM 4.115% 2/35 #735343 | 59 |
| Fannie Mae Pool | FNMA ARM 4.162% 2/35 #735345 | 159 |
| Fannie Mae Pool | FNMA ARM 4.587% 2/35 #735355 | 927 |
| Fannie Mae Pool | FNMA ARM 4.49% 8/34 #735360 | 299 |
| Fannie Mae Pool | | 102 |

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| | | |
|-----------------|----------------------------------|-----|
| | FNMA ARM 4.357% 1/35 #735364 | |
| Fannie Mae Pool | FNMA ARM 5.229% 8/33 #735030 | 140 |
| Fannie Mae Pool | FNMA ARM 4.20% 1/35 #735162 | 318 |
| Fannie Mae Pool | FNMA ARM 4.53% 3/35 #735448 | 295 |
| Fannie Mae Pool | FNMA ARM 3.463% 4/34 #735478 | 206 |
| Fannie Mae Pool | FNMA ARM 4.319% 5/35 #735538 | 135 |
| Fannie Mae Pool | FNMA ARM 4.177\$ 3/35 #735545 | 446 |
| Fannie Mae Pool | FNMA ARM 4.815% 12/32 #735602 | 134 |

Eastman Investment and Employee Stock Ownership Plan
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| Fannie Mae Pool | FNMA ARM 4.423% 5/35 #745049 | | | 914 |
| Fannie Mae Pool | FNMA ARM 3.753% 10/33 #746320 | | | 86 |
| Fannie Mae Pool | FNMA ARM 4.055% 10/18 #749296 | | | 90 |
| Fannie Mae Pool | FNMA ARM 3.752% 10/33 #755148 | | | 88 |
| Fannie Mae Pool | FNMA ARM 4.358% 10/33 #754672 | | | 43 |
| Fannie Mae Pool | FNMA ARM 4.294% 1/34 #759264 | | | 131 |
| Fannie Mae Pool | FNMA ARM 3.750% 1/34 #761058 | | | 94 |
| Fannie Mae Pool | FNMA ARM 3.826% 10/33 #763199 | | | 1,067 |
| Fannie Mae Pool | FNMA ARM 4.250% 1/34 #765659 | | | 150 |
| Fannie Mae Pool | FNMA ARM 4.25% 2/34 #765660 | | | 111 |
| Fannie Mae Pool | FNMA ARM 4.23% 3/34 #766457 | | | 82 |
| Fannie Mae Pool | FNMA ARM 4.057% 5/34 #768224 | | | 44 |
| Fannie Mae Pool | FNMA ARM 4.368% 2/34 #769940 | | | 232 |
| Fannie Mae Pool | FNMA ARM 4.021% 12/34 #773212 | | | 97 |
| Fannie Mae Pool | FNMA ARM 3.83% 1/35 #773220 | | | 95 |
| Fannie Mae Pool | FNMA ARM 3.98% 1/35 #773221 | | | 113 |
| Fannie Mae Pool | FNMA ARM 4.0% 1/35 #773225 | | | 75 |
| Fannie Mae Pool | FNMA ARM 4.12% 2/35 #773243 | | | 154 |
| Fannie Mae Pool | FNMA ARM 4.128% 2/35 #773255 | | | 304 |
| Fannie Mae Pool | FNMA ARM 4.455% 3/35 #773281 | | | 134 |

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| | | |
|-----------------|----------------------------------|-----|
| Fannie Mae Pool | FNMA ARM 4.305% 7/34 #776389 | 75 |
| Fannie Mae Pool | FNMA ARM 3.939% 10/34 #781549 | 124 |
| Fannie Mae Pool | FNMA ARM 3.987% 12/34 #781575 | 121 |
| Fannie Mae Pool | FNMA ARM 3.786% 12/34 #781576 | 112 |
| Fannie Mae Pool | FNMA ARM 3.827% 12/34 #781580 | 17 |
| Fannie Mae Pool | FNMA ARM 3.791% 6/34 #783545 | 425 |
| Fannie Mae Pool | FNMA ARM 4.351% 1/35 #783580 | 111 |
| Fannie Mae Pool | FNMA ARM 4.499% 3/35 #783587 | 316 |
| Fannie Mae Pool | FNMA ARM 4.4% 2/35 #783588 | 147 |
| Fannie Mae Pool | FNMA ARM 4.544% 7/34 #786380 | 148 |
| Fannie Mae Pool | FNMA ARM 4.607% 8/34 #790203 | 133 |
| Fannie Mae Pool | FNMA ARM 5.019% 9/34 #790458 | 161 |
| Fannie Mae Pool | FNMA ARM 4.658% 9/34 #790618 | 37 |
| Fannie Mae Pool | FNMA ARM 5.106% 9/34 #790762 | 117 |
| Fannie Mae Pool | FNMA ARM 4.748% 7/34 #793028 | 286 |
| Fannie Mae Pool | FNMA ARM 4.339% 9/34 #794241 | 124 |
| Fannie Mae Pool | FNMA ARM 4.364% 9/34 #794242 | 303 |
| Fannie Mae Pool | FNMA ARM 3.737% 1/35 #797416 | 142 |
| Fannie Mae Pool | FNMA ARM 4.202% 1/35 #797418 | 191 |
| Fannie Mae Pool | FNMA ARM 4.549% 8/34 #796985 | 623 |
| Fannie Mae Pool | FNMA ARM 4.67% 11/34 #799727 | 322 |
| Fannie Mae Pool | FNMA ARM 5.064% 11/34 #800067 | 29 |
| Fannie Mae Pool | FNMA ARM 4.825% 12/34 #800297 | 259 |
| Fannie Mae Pool | FNMA ARM 4.845% 12/34 #800335 | 97 |
| Fannie Mae Pool | FNMA ARM 4.571% 9/34 #801337 | 378 |
| Fannie Mae Pool | | 58 |

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|-----------------|----------------------------------|-----|
| | FNMA ARM 5.05% 7/34 #801635 | |
| Fannie Mae Pool | FNMA ARM 4.037% 12/34 #802854 | 55 |
| Fannie Mae Pool | FNMA ARM 4.324% 12/34 #802660 | 64 |
| Fannie Mae Pool | FNMA ARM 4.23% 11/34 #803591 | 45 |
| Fannie Mae Pool | FNMA ARM 4.484% 10/34 #803592 | 491 |
| Fannie Mae Pool | FNMA ARM 4.029% 1/35 #806167 | 41 |
| Fannie Mae Pool | FNMA ARM 4.127% 1/35 #806519 | 167 |
| Fannie Mae Pool | FNMA ARM 4.105% 1/35 #806520 | 162 |
| Fannie Mae Pool | FNMA ARM 4.072% 12/34 #806640 | 164 |

Eastman Investment and Employee Stock Ownership Plan
Schedule H, Line 4 (i) - Schedule of Assets (Held at End of Year)
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| Fannie Mae Pool | FNMA ARM 4.17% 11/34 #806720 | | | 138 |
| Fannie Mae Pool | FNMA ARM 4.048% 1/35 #806711 | | | 76 |
| Fannie Mae Pool | FNMA ARM 4.118% 1/35 #807221 | | | 166 |
| Fannie Mae Pool | FNMA ARM 3.913% 12/34 #809113 | | | 81 |
| Fannie Mae Pool | FNMA ARM 5.029% 2/35 #809463 | | | 52 |
| Fannie Mae Pool | FNMA ARM 4.742% 3/35 #809822 | | | 167 |
| Fannie Mae Pool | FNMA ARM 4.625% 2/35 #809931 | | | 299 |
| Fannie Mae Pool | FNMA ARM 4.145% 2/35 #810415 | | | 194 |
| Fannie Mae Pool | FNMA ARM 4.57% 2/35 #811803 | | | 110 |
| Fannie Mae Pool | FNMA ARM 4.052% 2/35 #812091 | | | 79 |
| Fannie Mae Pool | FNMA ARM 4.144% 1/35 #813569 | | | 255 |
| Fannie Mae Pool | FNMA ARM 4.118% 2/35 #813114 | | | 59 |
| Fannie Mae Pool | FNMA ARM 4.694% 11/34 #813184 | | | 347 |
| Fannie Mae Pool | FNMA ARM 4.151% 1/35 #813170 | | | 298 |
| Fannie Mae Pool | FNMA ARM 4.197% 1/35 #813200 | | | 133 |
| Fannie Mae Pool | FNMA ARM 4.269% 10/34 #813564 | | | 244 |
| Fannie Mae Pool | FNMA ARM 4.017% 12/34 #813565 | | | 616 |
| Fannie Mae Pool | FNMA ARM 3.87% 1/35 #813713 | | | 167 |
| Fannie Mae Pool | FNMA ARM 3.84% 1/35 #813714 | | | 264 |
| Fannie Mae Pool | FNMA ARM 4.023% 2/35 #813737 | | | 81 |

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|--|--|-------|
| Fannie Mae Pool | FNMA ARM 4.559% 1/35 #813842 | 201 |
| Fannie Mae Pool | FNMA ARM 4.508% 1/35 #813848 | 140 |
| Fannie Mae Pool | FNMA ARM 4.790% 1/35 #815323 | 368 |
| Fannie Mae Pool | FNMA ARM 4.653% 3/35 #816322 | 50 |
| Fannie Mae Pool | FNMA ARM 4.857% 1/35 #816356 | 17 |
| Fannie Mae Pool | FNMA ARM 4.293% 3/35 #815586 | 84 |
| Fannie Mae Pool | FNMA ARM 4.573% 2/35 #816591 | 663 |
| Fannie Mae Pool | FNMA ARM 4.639% 2/35 #816599 | 65 |
| Fannie Mae Pool | FNMA ARM 4.349% 2/35 #818857 | 54 |
| Fannie Mae Pool | FNMA ARM 4.372% 4/35 #820407 | 60 |
| Fannie Mae Pool | FNMA ARM 4.725% 3/35 #820598 | 823 |
| Fannie Mae Pool | FNMA ARM 4.5% 5/35 #820996 | 83 |
| Fannie Mae Pool | FNMA ARM 4.302% 1/35 #827592 | 112 |
| Fannie Mae Pool | FNMA ARM 5.8170% 5/35 #827781 | 671 |
| Fannie Mae Pool | FNMA ARM 5.208% 5/35 #827783 | 2,266 |
| Fannie Mae Pool | FNMA ARM 4.409% 5/35 #829985 | 277 |
| Fannie Mae Pool | FNMA ARM 5.203% 6/35 #830605 | 492 |
| Fannie Mae Pool | FNMA ARM 4.555% 7/35 #832099 | 334 |
| Fannie Mae Pool | FNMA ARM 5.344% 7/35 #834917 | 63 |
| Fannie Mae Pool | FNMA ARM 5.101% 7/35 #841837 | 435 |
| Fieldstone Mortgage Investment Corp FMIC 03-1 M1 | Mortgage backed security 1ML+68 11/33 | 91 |
| Fifth Third Auto Trust FITAT 04-A A3 | Mortgage backed security 3.19% 2/08 | 550 |
| Fifth Third MED | Corporate Bond 3.375% 8/15/08 | 1,101 |
| First Union Commercial Mortgage Securities Inc FULB 97-C2 A3 | Mortgage backed security 6.65% 11/29 | 392 |
| First Union | Corporate bond 6.375% 1/15/09 | 638 |
| FleetBoston Financial Corp | Corporate bond 3.85% 2/15/08 | 398 |

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| | | |
|------------------------------|--------------------------|-------|
| Fleet Financial | Corporate bond 6.375% | |
| | 5/15/08 | 177 |
| Ford Credit Auto Owner Trust | Mortgage backed security | |
| FORDO 03-B B1 | 2.85% 10/07 | 623 |
| Ford Credit Auto Owner Trust | Mortgage backed security | |
| FORDO 05-A A3 | 3.48% 11/08 | 1,108 |

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| Ford Credit Auto Owner Trust FORDO 05-A A4 | Mortgage backed security 3.72% 10/09 | | | 294 |
| Ford Credit Auto Owner Trust FORDO 2005-AB | Mortgage backed security 3.88% 1/10 | | | 288 |
| Ford Credit Auto Owner Trust FORDO 05-C A3 | Mortgage backed security 4.3% 8/09 | | | 1,299 |
| Ford Credit Auto Owner Trust FORDO 05-C A4 | Mortgage backed security 4.36% 6/10 | | | 716 |
| Franklin Resources Inc | Corporate bond 3.7% 4/15/08 | | | 1,503 |
| Franklin Templeton FRNK 05-1 A3 | Mortgage backed security 4391% 4/10 | | | 901 |
| Fremont Home Loan Trust FHLT 04-A M1 | Mortgage backed security 1ML+55 1/34 | | | 452 |
| Fremont Home Loan Trust FHLT 04-A M2 | Mortgage backed security 1ML+115 1/34 | | | 532 |
| Fremont Home Loan Trust FHLT 04-1 M1 | Mortgage backed security 1ML+45 2/34 | | | 50 |
| Fremont Home Loan Trust FHLT 04-1 M2 | Mortgage backed security 1ML+50 2/34 | | | 100 |
| Fremont Home Loan Trust FHLT 04-1 M3 | Mortgage backed security 1ML+55 2/34 | | | 100 |
| Fremont Home Loan Trust FHLT 04-1 M4 | Mortgage backed security 1ML+95 2/34 | | | 252 |
| Fremont Home Loan Trust FHLT 04-1 M5 | Mortgage backed security 1ML+110 2/34 | | | 101 |
| FUJI Financial | Corporate Bond 8.625% 4/15/10 144A | | | 1,313 |
| GE Capital Commercial Mortgage Corp | Mortgage backed security | | | |
| GECMC 02-2A A2 | 4.97% 8/36 | | | 1,577 |
| GGP Mall Properties Trust GGPMPT 01-C1A A2 | Mortgage backed security 5.007% 11/11 | | | 607 |
| GMAC Commercial Mortgage Securities Inc GMACC 97-C2 A3 | Mortgage backed security 6.566% 4/29 | | | 441 |
| GMAC Commercial Mortgage Securities Inc GMACC 04-C2 A2 | Interest only strip CSTR 8/38 | | | 1,451 |
| GMAC Commercial Mortgage Securities Inc GMACC 04-C3 X2 | Interest only strip CSTR 12/41 | | | 178 |
| GMACC Commercial Mortgage Securities | Mortgage backed security 6.869% 7/29 | | | 350 |

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| | | |
|---|---|-------|
| GMACC 97-C1 A3 | | |
| GMACC Commercial Mortgage Securities | Mortgage backed security | |
| GMACC 2002-C1 A1 | 5.785% 11/39 | 1,596 |
| GMACC Commercial Mortgage Securities | | |
| GMACC 2004-C3 A3 | Interest only strip CSTR 12/41 | 1,233 |
| GMACC Commercial Mortgage Securities | | |
| GMACC 05-C1 A2 | Interest only strip CSTR 5/43 | 731 |
| GMACC Commercial Mortgage Securities | | |
| GMACC 05-C1 X2 | Interest only strip CSTR 5/43 | 265 |
| GS Auto Loan Trust GSALT 05-1 A3 | Mortgage backed security 4.45% 5/10 | 965 |
| | Mortgage backed security | |
| GS Auto Loan Trust GSLAT 05-1 B | 4.62% 11/13 | 145 |
| GS Mortgage Securities Corp 03-C1 A2A | Mortgage backed security 3.59% 1/40 | 754 |
| GS Mortgage Securities Corp 04-C1 A1 | Mortgage backed security 3.659% 10/28 | 1,575 |
| GS Mortgage Securities Corp 98-GLII A2 | Mortgage backed Security 6.562% 4/31 | 777 |
| GS Mortgage Securities Corp 05-GG4 XP | Interest only strip CSTR 7/39 Mortgage backed securities | 748 |
| GSAMP Trust GSAMP 04-FM2 M2 | 1ML+110 1/34 Mortgage backed securities | 200 |
| GSAMP Trust GSAMP 04-FM2 M3 | 1ML+130 1/34 | 200 |
| Ge Capital Commercial Mortgage Corp GECCMC 04-C2 A2 | Mortgage backed securities 4.119% 3/40 | 504 |
| Ge Capital Commercial Mortgage Corp GECCMC 04-C3 A2 | Mortgage backed securities 4.433% 7/39 | 1,933 |

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| GE Commercial Equipment Financing LLC GECEF 04-A A3 | Mortgage backed securities 3.36% 6/08 | | 1,148 | |
| General Electric Capital Corp | Corporate bond 7.5% 6/15/09 | | 1,190 | |
| General Electric Capital Corp | Corporate bond 3.5% 5/01/08 | | 454 | |
| General Electric Capital Corp | Corporate bond 3.5% 8/15/07 | | 531 | |
| General Electric Capital Corp | Corporate bond 4.125% 3/4/08 | | 4,192 | |
| | Corporate bond 4.00% | | | |
| General Electric Cap Corp | 6/15/2009 | | 1,152 | |
| General Electric Cap Corp | Corporate bond 5.00% 6/15/07 | | 1,064 | |
| Goldman Sachs Group Inc | Corporate bond 4.5% 6/15/10 | | 1,425 | |
| Greenpoint Financial | Corporate bond 3.2% 6/06/08 | | 1,644 | |
| Greenwich Capital Commercial Funding Corp GCCFC 03-C1 A2 | Mortgage backed securities 3.285% 7/35 | | 861 | |
| Greenwich Capital Commercial Funding Corp GCCFC 04-GG1 A4 | Mortgage backed securities 4.755% 6/36 | | 931 | |
| Greenwich Capital Commercial Funding Corp GCCFC 05-GG3 A2 | Interest only strip CSTR 8/42 | | 669 | |
| Greenwich Capital Commercial Funding Corp GCCFC 05-GG3 XP | Interest only strip CSTR 8/42 | | 939 | |
| Greenwich Capital Commercial Funding Corp GCCFC 05-GG5 | Interest only strip CSTR 4/37 | | 779 | |
| John Hancock Global Funding II | Corporate bond 3.75% 9/30/08 | | 794 | |
| Halifax and Bank of Scotland PLC MTN | Corporate bond 3.75% 9/30/08 144A | | 914 | |
| Halifax and Bank of Scotland PLC | Corporate bond 3.625% 7/23/07 144A | | 1,442 | |
| Heinz Co | Corporate bond 6.428% 12/01/08 144A | | 764 | |
| Holmes Financing PLC HFP 7 2M | Mortgage backed security 3M:+80 7/40 | | 263 | |
| Heller Financial Commercial Mortgage Asset HFCMC 00-PH1 A1 | Mortgage backed securities 7.715% 1/34 | | 279 | |
| Honda Auto Receivables Trust HAROT 05-4 A4 | Mortgage backed securities 4.6% 11/10 | | 1,204 | |
| Honda Auto Receivables Trust HAROT 05-2 A3 | Mortgage backed securities 3.93% 1/09 | | 584 | |

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| Honda Auto Receivables Trust HAROT 05-3 A3 | Mortgage backed securities 3.87% 4/09 | 1,333 |
| Host Marriot Pool Trust HMPT 99-HMTA D | Mortgage backed securities 7.97% 8/15 | 215 |
| Host Marriot Pool Trust HMPT 99-HMTA B | Mortgage backed security 7.3% 8/15 | 258 |
| Household Automotive Trust HAT 04-1 A3 | Mortgage backed securities 3.3% 5/09 | 937 |
| Household Automotive Trust HAT 04-1 A4 | Mortgage backed securities 3.93% 7/11 | 558 |
| Household Automotive Trust HAT 05-1 A4 | Mortgage backed securities 4.35% 6/12 | 1,522 |
| Household Automotive Trust HAT 05-2 A3 | Mortgage backed securities 4.37% 5/10 | 1,434 |
| Household Automotive Trust HAT 05-3 A3 | Mortgage backed securities 4.8% 10/10 | 596 |
| Household GBL | Corporate bond 5.875% 2/1/09 DT | 314 |
| Household FIN | Corporate bond 4.625% 1/15/08 | 875 |
| Household FINC | Corporate bond 4.125% 12/15/08 | 1,267 |
| Household MTN | Corporate bond 4.125% 11/16/09 | 989 |
| Household INTL | Corporate bond 5.836% 2/15/08 | 2,319 |
| HSBC Finance Corp | Corporate bond 5.25% 1/14/11 Corporate bond 4.125% | 377 |
| HSBC Finance Corp | 3/11/08 | 1,488 |
| Household Private Label Credit Card Master Note Trust I HPLCC 02-1 A | Mortgage backed securities 5.5% 1/11 | 1,715 |
| HFC Home Equity Loan Asset Backed Certificates HFCHC 03-1 M1ML+63 10/32 | Mortgage backed securities | 63 |
| HFC Home Equity Loan Asset Backed Certificates HFCHC 03-2 M1ML+58 9/33 | Mortgage backed securities | 101 |

Eastman Investment and Employee Stock Ownership Plan
Schedule H, Line 4 (i) - Schedule of Assets (Held at End of Year)
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| Household Mortgage Loan Trust HMLHC 03-HC1 | Mortgage backed securities 1ML+65 2/33 | | | 114 |
| Household Mortgage Loan Trust HLHMC 03-HC2 | Mortgage backed securities 1ML+60 6/20/2103 | | | 154 |
| Hutchison Whampoa International 01/11 Ltd | Corporate bond 7% 2/16/11 144A | | | 662 |
| Hutchison Whampoa International 03/33 Ltd | Corporate bond 5.45% 11/24/10 144 | | | 1,217 |
| Hyundai Auto Receivables Trust HART 05-A C | Mortgage backed securities 4.22% 2/12 | | | 94 |
| Impac CMB Trust IMM 05-1 M4 | Mortgage backed securities 1ML+75 4/35 | | | 76 |
| Impac CMB Trust IMM05-1 M5 | Mortgage backed securities 1ML+77 4/35 | | | 76 |
| Impac CMB Trust IMM05-1 M6 | Mortgage backed securities 1ML+82 4/35 | | | 115 |
| International Lease Finance Corp | Corporate bond 3.75% 8/01/07 | | | 1,511 |
| International Lease Finance Corp | Corporate bond 5.00% 4/15/10 | | | 578 |
| International Lease Finance Corp | Corporate bond 4.625% 6/02/08 | | | 298 |
| JPMorgan Chase & Co | Corporate bond 3.625% 5/1/08 | | | 391 |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 04-CB9 A2 | Interest only strip CSTR 6/41 | | | 1,514 |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 03-PM1A A2 | Interest only strip CSTR 8/40 | | | 1,761 |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 03-CB7 X2 | Interest only strip CSTR 1/38 | | | 62 |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 05-LDP4 X2 | Interest only strip CSTR 10/42 | | | 607 |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 05-LDP4 A1 | Interest only strip CSTR 10/42 | | | 1,199 |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 04-CB8 A2 | Mortgage backed securities 3.837% 1/39 | | | 1,214 |
| | | | | 1,652 |

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| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 2001-C1 A2 | Mortgage backed securities 5.464% 10/35 | |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 05-LDP2 A2 | Mortgage backed securities 4.575% 7/42 | 733 |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 05-LDP5 A1 | Mortgage backed securities 5.035% 12/44 | 1,124 |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 04-CBX X2 | Interest only strip CSTR 1/37 | 535 |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 04-C3 A2 | Mortgage backed securities 4.223% 1/42 | 809 |
| Korea Development Bank | Corporate bond 3.875% 3/02/09 | 735 |
| Korea Development Bank | Corporate bond 4.75% 7/20/09 | 603 |
| Kraft Foods Inc | Corporate bond 5.25% 6/1/07 | 534 |
| LB Commercial Conduit Mortgage Trust LBCMT 98-C4 A1B | Mortgage backed security 6.21% 10/35 | 1,390 |
| LB Commercial Conduit Mortgage Trust LBCMT 33-C1 A2 | Mortgage backed securities 6.78% 6/31 | 1,362 |
| LB-UBS Commercial Mortgage Trust LBUBS 00-C3 A1 | Mortgage backed securities 7.95% 7/09 | 1,389 |
| LB-UBS Commercial Mortgage Trust LBUBS 00-C3 A2 | Mortgage backed securities 7.95% 1/10 | 1,033 |
| LB-UBS Commercial Mortgage Trust LBUBS 00-C5 A1 | Mortgage backed securities 6.41% 12/19 | 886 |
| LB-UBS Commercial Mortgage Trust LBUBS 00-C5 A2 | Mortgage backed securities 6.51% 12/26 | 489 |
| LB-UBS Commercial Mortgage Trust LBUBS 04-C6 A2 | Mortgage backed securities 4.187% 8/29 | 683 |

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| LB-UBS Commercial Mortgage Trust LBUBS 03-C3 A2 | Mortgage backed securities 3.086% 5/27 | | | 640 |
| LB-UBS Commercial Mortgage Trust LBUBS 03-C7 A3 | Interest only strip CSTR 9/27 | | | 803 |
| LB-UBS Commercial Mortgage Trust LBUBS 04-C2 A3 | Mortgage backed securities 3.973% 3/29 | | | 676 |
| LB-UBS Commercial Mortgage Trust LBUBS 05-C1 AAB | Interest only strip CSTR 2/30 | | | 549 |
| LB-UBS Commercial Mortgage Trust LBUBS 05-C5 XCP | Interest only strip CSTR 9/40 | | | 760 |
| LB-UBS Commercial Mortgage Trust LBUBS 01-C20A2 | Mortgage backed securities 6.653% 11/27 | | | 349 |
| LB-UBS Commercial Mortgage Trust LBUBS 03-C5 A2 | Mortgage backed securities 3.478% 7/27 | | | 1,446 |
| LB-UBS Commercial Mortgage Trust LBUBS 04-C8 XCP | Interest only strip CSTR 12/39 | | | 127 |
| LB-UBS Commercial Mortgage Trust LBUBS 05-C7 XCP | Interest only strip CSTR 11/40 | | | 476 |
| Legg Mason Inc | Corporate bond 6.75% 7/02/08 | | | 344 |
| Lehman Brothers Holdings Inc | Corporate bond 7% 2/1/08 | | | 2,247 |
| Lehman Brothers Holdings Inc | Corporate bond 4% 1/22/08 | | | 576 |
| Lehman Brothers Holdings Inc | Corporate bond 3.95% 11/10/09 | | | 363 |
| Lehman Brothers Global | Corporate bond 3.6% 3/13/09 | | | 297 |
| Long Beach Mortgage Loan Trust -MLT 03-3 M1 | Mortgage backed securities 1ML+75 7/33 | | | 895 |
| Louis Dreyfus | Corporate Bond 6.875% 12/01/07 | | | 420 |
| M&I Auto Loan Trust MILT 05-1 A3 | Mortgage backed securities 4.83% 9/09 | | | 1,377 |
| M&I Auto Loan Trust MILT 05-1 B | Mortgage backed securities 5.02% 7/12 | | | 1,082 |
| MBNA Credit Card Master Note Trust MBNAS 02-1B | Mortgage backed securities 5.15% 7/09 | | | 1,506 |
| MBNA Credit Card Master Note Trust MBNAS 05-B4 B4 | Mortgage backed securities 4.9% 3/11 | | | 1,377 |
| Master Seasoned Securities Trust MSSTR 04-1 1A1 | Interest only strip CSTR 8/17 | | | 631 |
| Marshall & Ilsley Corp | Corporate bond 3.8% 2/08/08 | | | 1,584 |
| | Corporate bond 3.85% 4/01/13 | | | 1,727 |

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|---|------------------------------|-------|
| Manufacturers & Traders Trust Company | | |
| Marriott Vacation Club Owner Trust | Mortgage backed securities | |
| MVCOT 05-2 A | 4.6% 10/27 | 694 |
| Master Adjustable Rate Mortgages Trust | Mortgage backed securities 4 | |
| MARM 04-11 1A | 1ML+49 11/34 | 161 |
| Master Adjustable Rate Mortgages Trust | Mortgage backed securities 2 | |
| MARM 04-11 2A | 1ML+44 11/34 | 132 |
| Marshall & Ilsley Corp | Corporate bond 4.5% 8/25/08 | 1,934 |
| Meritage Mortgage Loan Trust | Mortgage backed securities | |
| MMLT 04-1 M1 | 1ML+50 7/34 | 225 |
| Merrill Auto Trust Securitization | Mortgage backed securities | |
| MATS 05-1 A3 | 4.10% 8/09 | 1,573 |
| | Corporate bond 4.125% | |
| Merrill Lynch & Co Inc | 1/15/09 | 849 |
| Merrill Lynch & Co Inc | Corporate bond 4.25% 9/14/07 | 2,915 |
| | Corporate bond 4.831% | |
| Merrill Lynch & Co Inc | 10/27/08 | 1,590 |
| Merrill Lynch Mortgage Trust | Mortgage backed securities | |
| MLMT 04-MKB1 A2 | 4.353% 2/42 | 4,779 |

Eastman Investment and Employee Stock Ownership Plan
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| Merrill Lynch Mortgage Trust MLMT 04-KEY2 A2 | Mortgage backed securities 4.166% 8/39 | | 1,188 | |
| Merrill Lynch Mortgage Trust MLMT 04-BPC1 XP | Interest only strip CSTR 9/41 | | 565 | |
| Merrill Lynch Mortgage Trust MLMT 05-GGP1A | Mortgage backed securities 4.099% 11/10 | | 1,960 | |
| Merrill Lynch Mortgage Trust MLMT 05-GGP1B | Mortgage backed securities 4.146% 11/10 | | 321 | |
| Merrill Lynch Mortgage Trust MLMT 05-GGP1C | Mortgage backed securities 4.208% 11/10 | | 272 | |
| Merrill Lynch Mortgage Trust MLMT 05-GGP1D | Mortgage backed securities 4.291% 11/10 | | 84 | |
| Merrill Lynch Mortgage Trust MLMT 05-GGP1E | Mortgage backed securities 4.33% 11/10 | | 119 | |
| Merrill Lynch Mortgage Trust MLMT 05-GGP1F | Mortgage backed securities 4.35% 11/10 | | 148 | |
| Merrill Lynch Mortgage Trust MLMT 05-GGP1G | Mortgage backed securities 4.374% 11/10 | | 124 | |
| Merrill Lynch Mortgage Trust MLMT 05-MKB2XP | Interest only strip CSTR 9/42 | | 55 | |
| Merrill Lynch Mortgage Trust MLMT 05-MCP1A2 | Mortgage backed securities 4.556% 6/43 | | 1,120 | |
| Merrill Lynch Mortgage Trust MLMT 05-MCP1XP | Interest only strip CSTR 6/43 | | 242 | |
| Merrill Lynch Mortgage Trust MLMT 05-LC1A1 | Mortgage backed securities 5.017% 1/44 | | 564 | |
| Monumental Global Funding II | Corporate bond 2.8% 7/08 144A | | 2,121 | |
| Monumental Life Insurance | Synthetic GIC Global Wrap -4.09% | | 1,675 | |
| Morgan JP & Co | Corporate bond 6.25% 1/15/09 | | 1,643 | |
| Morgan JP MTNA | Corporate bond 6.00% 1/15/09 | | 427 | |
| JP Morgan Commercial Mortgage Finance Corp JPMC 99-C8 A2 | Mortgage backed securities 7.4% 7/31 | | 898 | |
| JP Morgan Commercial Mortgage Finance Corp JPMC 00-C9 A2 | Mortgage backed securities 7.77% 10/32 | | 1,004 | |
| Morgan Stanley MSTDW | Corporate bond 5.8% 4/17/2006 | | 994 | |
| Morgan Stanley MSTDW | Corporate bond 3.625% 4/1/2008 | | 3,456 | |

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|--|--|-------|
| Morgan Stanley Capital I MSC 98-WF2 A2 | Mortgage backed securities 6.54% 7/30 | 633 |
| Morgan Stanley Capital I MSC 98-HF2 A2 | Mortgage backed securities 6.48% 11/30 | 1,382 |
| Morgan Stanley Capital I MSC 03-IQ5 A3 | Mortgage backed securities 4.71% 4/38 | 612 |
| Morgan Stanley Capital I MSC 99-CAM1 A4 | Mortgage backed securities 7.02% 3/32 | 552 |
| Morgan Stanley Capital I MSC 04-HQ4 X2 | Interest only strip CSTR 4/40 | 142 |
| Morgan Stanley Capital I MSC 04-HQ3 A2 | Mortgage backed securities 4.05% 1/41 | 522 |
| Morgan Stanley Capital I MSC 05-IQ9 X2 | Interest only strip CSTR 7/56 | 335 |
| Morgan Stanley Capital I MSC 05-HQ5 X2 | Interest only strip CSTR 1/42 | 134 |
| Morgan Stanley Capital I MSC 98-XL2 A2 | Mortgage backed securities 6.17% 10/34 | 601 |
| Morgan Stanley Capital I MSC 03-IQ5 A2 | Mortgage backed securities 4.09% 4/38 | 518 |
| Morgan Stanley Capital I MSC 05-TOP17X2 | Interest only strip CSTR 12/41 | 171 |
| Morgan Stanley ABS Capital I MSAC 03-NC7 M1 | Mortgage backed securities 1 ML+70 6/33 | 191 |
| Morgan Stanley ABS Capital I MSAC 03-NC6 M1 | Mortgage backed securities 1 ML+80 6/33 | 323 |
| Morgan Stanley ABS Capital I MSAC 03-NC8 M1 | Mortgage backed securities 1ML+70 9/33 | 264 |

Eastman Investment and Employee Stock Ownership Plan
Schedule H, Line 4 (i) - Schedule of Assets (Held at End of Year)
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| 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 | |
| Morgan Stanley | Corporate bond 4% 1/15/10 | | | 294 |
| Morgan Stanley | Corporate bond 5.05% 1/21/11 | | | 1,101 |
| Morgan Stanley Dean Witter Capital | Mortgage backed securities 1 | | | |
| I MSDWC 01-NC1 M2 | ML+107 10/31 | | | 14 |
| Morgan Guaranty | Synthetic GIC Global Wrap - 4.10% | | | 1,675 |
| Mortgage Capital Funding Inc | Mortgage backed securities | | | |
| MCFI 98-MC2 A2 | 6.423% 6/30 | | | 1,371 |
| National Collegiate Student Loan Trust NCSLT 04-2 AIO | Mortgage backed securities 9.75% 10/14 | | | 450 |
| National Collegiate Student Loan Trust NCSLT 05-1 AIO | Mortgage backed securities 6.75% 12/09 | | | 108 |
| National Collegiate Student Loan Trust NCSLT 05-2 AIO | Mortgage backed securities 7.73% 3/12 | | | 186 |
| National Collegiate Student Loan Trust NCSLT 05-3W AIO | Mortgage backed securities 4.8% 7/12 | | | 396 |
| National Rural Utilities Cooperative Finance Corp | Corporate bond 5.75% 8/28/09 | | | 429 |
| National Rural Utilities Cooperative Finance Corp | Corporate bond 3.24% 7/22/07 | | | 742 |
| Nations Bank Corp | Corporate bond 6.375% 2/15/08 | | | 616 |
| Nationslink Funding Corp | Mortgage Backed securities 6.571% 1/31 | | | 545 |
| Navistar Financial Corp Owner Trust NAVOT 04-B A3 | Mortgage backed securities 3.13% 5/09 | | | 533 |
| Navistar Financial Corp Owner Trust NAVOT 05-A A3 | Mortgage backed securities 4.22% 2/10 | | | 2,774 |
| Navistar Financial Corp Owner Trust NAVOT 05-A A4 | Mortgage backed securities 4.43% 1/14 | | | 562 |
| Nissan Auto Lease Trust NALT 04-A A3 | Mortgage backed securities 2.9% 8/07 | | | 1,181 |
| Nissan Auto Lease Trust NALT 04-A A4B | Mortgage backed securities 3.18% 6/10 | | | 289 |
| Nissan Auto Lease Trust NALT 05-A A3 | Mortgage backed securities 4.70% 10/08 | | | 1,515 |
| Nissan Auto Receivables Owner Trust NAROT 05-A A4 | Mortgage backed securities 3.82% 7/10 | | | 568 |
| North Star Education Finance, Inc. | Mortgage backed securities 4.74% 10/45 | | | 827 |

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| Novastar Home Equity Loan NHEL | Mortgage backed securities | |
| 04-1 M1 | 1ML+45 6/34 | 150 |
| Onyx Acceptance Grantor Trust | Mortgage backed securities | |
| ONYX 05-A A3 | 3.69% 5/09 | 415 |
| Onyx Acceptance Grantor Trust | Mortgage backed securities | |
| ONYX 05-B A3 | 4.18% 3/10 | 2,646 |
| Onyx Acceptance Grantor Trust | Mortgage backed securities | |
| ONYX 05-B A4 | 4.34% 5/12 | 454 |
| Peco Energy | Corporate Bond 3.50% 5/01/08 | 1,470 |
| PNC Funding Corp | Corporate bond 4.2% 3/10/08 | 469 |
| Park Place Securities Inc PPSI | Mortgage backed securities | |
| 04-WCW1 M1 | 1ML+63 9/34 | 318 |
| | Corporate Bond 4.623% | |
| Petroleum Export/Cayman | 6/15/10 144A | 739 |
| | Corporate Bond 4.633% | |
| Petroleum Export/Cayman | 6/15/10 144A | 442 |
| Philip Morris | Corporate Bond 7.2% 2/01/07 | 943 |
| | Corporate bond 3.875% | |
| Banco Popular NA | 10/01/08 | 2,130 |
| Banco Popular NA MTN | Corporate bond 5.2% 12/12/07 | 791 |
| Prudential Financial Inc | Corporate bond 3.75% 5/01/08 | 593 |
| Prime Property Funding | Corporate bond 5.6% 6/15/11 | 539 |
| | Corporate bond 3.625% | |
| Principal Life Global | 4/30/08 | 1,467 |
| Prudential Securities Secured | Mortgage backed securities | |
| Financing Corp PSSF 98-C1 A1B | 6.506% 7/08 | 704 |
| Providian Master Note Trust | Mortgage backed securities | |
| PMNT 05-2 B2 | 5.1% 11/12 | 1,039 |

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| | Rabobank Capital Funding II | Corporate bond 5.26%/VR PERP 144A | | 2,929 |
| | Rabobank Nederland | Synthetic GIC Global Wrap - 4.10% | | 1,675 |
| | Reed Elsevier Capital Inc | Corporate bond 6.125% 8/01/06 | | 748 |
| | Residential Asset Mortgage Products Inc RAMP 04-RS6 MII2 | Mortgage backed securities 1ML+130 6/34 | | 250 |
| | Residential Asset Mortgage Products Inc RAMP 03-SL1 3A1 | Mortgage backed securities 7.125% 4/31 | | 411 |
| | Residential Asset Mortgage Products Inc RAMP 04-SL2 AII | Mortgage backed securities 6.5% 10/16 | | 127 |
| | Residential Asset Mortgage Products Inc RAMP 03-RZ2 A1 | Mortgage backed securities 3.6% 4/33 | | 221 |
| | GMAC Mortgage Corp Loan Trust GMAC 05-AR51A1 | Interest only strip CSTR 9/35 | | 467 |
| | Royal KPN NV | Corporate bond 8% 10/01/10 | | 1,705 |
| | SBC Communications Inc | Corporate bond 6.25% 3/15/11 | | 431 |
| | SBC Communications Inc | Corporate bond 4.125% 9/15/09 | | 2,317 |
| | SLM Corp | Corporate bond 4% 1/15/09 | | 664 |
| | SLM Corp | Corporate bond 3.5% 9/30/06 | | 1,546 |
| | SLM Student Loan Trust SLMA 04-A B | Mortgage backed securities 3ML+58 6/33 | | 203 |
| | SLM Student Loan Trust SLMA 05-7 A3 | Mortgage backed securities 4.41% 7/25 | | 1,225 |
| | SP PowerAssets Ltd | Corporate bond 3.8% 10/22/08 144 | | 1,271 |
| | SVO VOI Mortgage Corp SVOVM 05-A A | Mortgage backed securities 5.25% 2/21 | | 571 |
| | St Paul Companies Inc | Corporate bond 5.75% 3/15/07 | | 649 |
| | Salomon Brothers Mortgage Securities VII | Mortgage backed securities 6.592% 12/33 | | 902 |
| | SBM7 00-C3 A2 | | | |
| | Salomon Brothers Mortgage Securities VII | Mortgage backed securities 7.52% 12/09 | | 999 |
| | SBM7 00-C1 A2 | | | |
| | Salomonsmith Global Markets Holdings Inc | Corporate bond 6.5% 2/15/08 | | 275 |
| | Bank of Santander | | | 2,310 |

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| | Corporate bond 4.75% | |
| | 10/21/08 144A | |
| SBAC CMS Trust | Mortgage backed securities | |
| SBAC 05-1AA | 5.36% 11/35 | 350 |
| SBAC CMS Trust | Mortgage backed securities | |
| SBAC 05-1AB | 5.565% 11/35 | 243 |
| Securitized Asset Backed Receivables LLC Trust SABR | Mortgage backed securities | |
| 04-NC1 M1 | 1ML+52 2/34 | 291 |
| Sempra Energy | Corporate Bond 7.95% 3/01/10 | 517 |
| | Corporate Bond 4.621% | |
| Sempra Energy | 5/17/07 | 1,613 |
| Sempra Energy | Corporate bond 4.75% 5/15/09 | 253 |
| Southwestern Public Service Co | Corporate bond 5.125% 11/06 | 737 |
| | Corporate bond 7.875% | |
| Southwest Air 01/1A2 | 9/01/07 | 574 |
| | Mortgage Backed securities | |
| Southwest Air | 5.496% 11/01/06 | 1,322 |
| | Corporate bond 7.625% | |
| Sprint Cap Global | 1/30/11 | 335 |
| Sprint Cap Corp | Corporate bond 6.00% 1/15/07 | 436 |
| Starwood Commercial Mortgage Trust | Mortgage backed securities | |
| STARW 99-C1AB | 6.92% 2/14 | 196 |
| Amortizing Residential Collateral Trust | Mortgage backed securities | |
| ARC 02-BC1 M2 | 1ML+110 1/32 | 68 |
| Structured Asset Securities Corp | Mortgage backed securities | |
| SASC 04-GEL1 A | 1ML+36 2/34 | 71 |
| Structured Asset Securities Corp | Mortgage backed securities | |
| SASC 04-NP1 A | 1ML+40 9/33 | 191 |

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| | Telecom Italia Capital SA | Corporate bond 4% 11/15/08 | | 985 |
| | | Corporate bond 4% 1/15/10 | | |
| | Telecom Italia Capital SA | 144A | | 1,820 |
| | | Corporate bond 4.875% | | |
| | Telecom Italia Capital SA | 10/01/10 | | 457 |
| | Telefonos Mexico | Corporate bond 4.5% 11/19/08 | | 424 |
| | Telefonos Mexico | Corporate bond 4.75% 1/27/10 | | 2,938 |
| | Textron Financial Corp | Corporate bond 4.125% 3/3/08 | | 787 |
| | Travelers Property Casualty Corp | Corporate bond 3.75% 3/15/08 | | 848 |
| | Triad Auto Receivables Owner Trust | Mortgage backed securities | | |
| | TAROT 05-A A3 | 4.05% 3/10 | | 1,292 |
| | Triad Auto Receivables Owner Trust | Mortgage backed securities | | |
| | TAROT 05-B A3 | 4.28% 6/10 | | 1,543 |
| | | Synthetic GIC Global Wrap - | | |
| | UBS AG | 4.10% | | 1,675 |
| | US Bank NA | Corporate bond 3.9% 8/15/08 | | 1,042 |
| | US Bank NA | Corporate bond 4.4% 8/15/08 | | 3,986 |
| | | Corporate bond 5.625% | | |
| | USA Education - SLM Corp | 4/10/07 | | 1,136 |
| | | Corporate bond 5.125% | | |
| | Union Planters Bank NA | 6/15/07 | | 502 |
| | United States Treasury Note/Bond | USTN 3.5% 8/19/05 | | 10,120 |
| | United States Treasury Note/Bond | USTN 3.375% 9/15/09 | | 13,672 |
| | United States Treasury Note/Bond | USTN 3.625% 4/30/07 | | 5,303 |
| | United States Treasury Note/Bond | USTN 3.75% 5/15/08 | | 1,972 |
| | United States Treasury Note/Bond | USTN 3.875% 7/31/07 | | 13,790 |
| | United States Treasury Note/Bond | USTN 4.00% 8/31/07 | | 4,839 |
| | Verizon Global Funding Corp | Corporate bond 7.25% 12/1/10 | | 671 |
| | | Corporate bond 6.875% | | |
| | Verizon New York Inc | 4/01/12 | | 1,690 |
| | Volkswagen Auto Lease Trust | Mortgage backed securities | | |
| | VWALT 04-A A3 | 2.84% 7/07 | | 1,254 |
| | Volkswagen Auto Lease Trust | Mortgage backed securities | | |
| | VWALT 05-A A3 | 3.82% 5/08 | | 2,091 |
| | WFS Financial Owner Trust | Mortgage backed securities | | |
| | WESTO 04-3 A3 | 3.3% 3/09 | | 822 |
| | WFS Financial Owner Trust | Mortgage backed securities | | |
| | WESTO 04-3 A4 | 3.93% 2/12 | | 657 |

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| | | |
|--|--|-------|
| WFS Financial Owner Trust WESTO 04-4 A4 | Mortgage backed securities 3.44% 5/12 | 1,203 |
| WFS Financial Owner Trust WESTO 05-1 A3 | Mortgage backed securities 3.59% 10/09 | 1,629 |
| WFS Financial Owner Trust WESTO 05-3 A4 | Mortgage backed securities 4.39% 05/13 | 815 |
| WFS Financial Owner Trust WESTO 05-3B | Mortgage backed securities 4.50% 5/13 | 320 |
| WFS Financial Owner Trust WESTO 05-3C | Mortgage backed securities 4.54% 5/13 | 411 |
| Wachovia Auto Owner Trust WAOT 05-B A3 | Mortgage backed securities 4.79% 4/10 | 893 |
| Wachovia Bank Commercial Mortgage Trust WBCMT 03-C6 A2 | Mortgage backed securities 4.498% 8/35 | 863 |
| Wachovia Bank Commercial Mortgage Trust WBCMT 03-C8 A3 | Mortgage backed securities 4.445% 11/35 | 1,796 |
| Wachovia Bank Commercial Mortgage Trust WBCMT 04-C14 A2 | Mortgage backed securities 4.368% 8/41 | 1,516 |
| Wachovia Bank Commercial Mortgage Trust WBCMT 04-C15 XP | Interest only strip CSTR 10/41 | 841 |
| Wachovia Bank Commercial Mortgage Trust WBCMT 05-C16 APB | Mortgage backed securities 4.692% 10/41 | 490 |

Eastman Investment and Employee Stock Ownership Plan
Schedule H, Line 4 (i) - Schedule of Assets (Held at End of Year)
December 30, 2005
(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 | |
| Wachovia Bank Commercial Mortgage Trust WBCMT 03-C7 A1 | Mortgage backed securities 4.241% 10/35 | | | 1,157 |
| Wachovia Bank Commercial Mortgage Trust WBCMT 05-C18 XP | Interest only strip CSTR 4/42 | | | 210 |
| Wachovia Bank Commercial Mortgage Trust WBCMT 2004-C15 A2 | Mortgage backed securities 4.039% 10/41 | | | 1,342 |
| Wachovia Bank Commercial Mortgage Trust WBCMT 05-C16 A2 | Mortgage backed securities 4.38% 10/41 | | | 2,400 |
| Wachovia Bank Commercial Mortgage Trust WBCMT 05-C22 A1 | Mortgage backed securities 4.98% 12/44 | | | 793 |
| Wachovia Corp/Old | Corporate bond 6.15% 3/15/09 | | | 322 |
| Wachovia Corp | Corporate bond 3.5% 8/15/08 | | | 759 |
| Washington Mutual Inc | Corporate bond 4.5% 8/25/08 | | | 1,160 |
| Washington Mutual MSC Mortgage Pass-Through CTFS WAMMS 03-MS9 2A1 | Mortgage backed securities 7.5% 12/33 | | | 115 |
| Wells Fargo & Co | Corporate bond 4% 9/10/12 | | | 467 |
| Wells Fargo & Co | Corporate bond 4% 8/15/08 | | | 344 |
| Wells Fargo & Co | Corporate bond 4.125% 3/10/08 | | | 3,741 |
| Wells Fargo Mortgage Backed Securities Trust WFMB 05-AR42A2 | Interest only strip CSTR 4/35 | | | 1,891 |
| Wells Fargo Mortgage Backed Securities Trust WFMB 05-AR22A2 | Mortgage backed securities 4.57% 3/35 | | | 1,089 |
| Wells Fargo Mortgage Backed Securities Trust WFMB 05-Ar9 2A1 | Mortgage backed securities CSTR 5/35 | | | 1,689 |
| Wells Fargo Mortgage Backed Securities Trust WFMB 05-AR10 | Mortgage backed securities CSTR 6/35 | | | 1,047 |
| Whole Auto Loan Trust WALT 04-1 A3 | Mortgage backed securities 2.96% 6/08 | | | 1,650 |
| World Omni Auto Receivables Trust WOART 04-A A4 | Mortgage backed securities 3.96% 7/11 | | | 1,018 |
| | | | | 503 |

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| | | | |
|-----------------------------------|--|----|-------------|
| World Omni Auto Receivables Trust | Mortgage backed securities 3.54% 6/09 | | |
| WOART 05-A A3 | | | |
| Sub-total Managed Income Fund | | | 630,200 |
| Self Directed Brokerage Account | Various registered investment companies, 4,202 shares | ** | 4,202 |
| Total Assets | | | \$1,446,599 |

* 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 on its behalf by the undersigned thereunto duly authorized.

Eastman Investment and Employee
Stock Ownership Plan

Date: June 28, 2006

By: /s/ Scott V. King _
Scott V. King
Controller

**Eastman Investment and Employee Stock Ownership Plan
Exhibit Index**

| Exhibit Number | Description | Sequential Page Number |
|---------------------------|---|-----------------------------------|
| 23.01 | Consent of Independent Registered Public Accounting Firm | 39 |

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