

EASTMAN CHEMICAL CO
Form 11-K
June 29, 2009

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

FORM 11-K

(Mark
One)

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

EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

OR

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

For the transition period from _____ to _____

Commission file number 1-12626

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

EASTMAN INVESTMENT AND EMPLOYEE STOCK OWNERSHIP PLAN

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

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

Eastman Investment and Employee Stock Ownership Plan

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NoteOther supplemental schedules required by Section 2520.10310 of the Department of Labor’s Rules and A: Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (“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 31, 2008 and December 31, 2007, and the changes in net assets available for benefits for the periods then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

/s/PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Cincinnati, Ohio
June 29, 2009

Eastman Investment and Employee Stock Ownership Plan
 Statements of Net Assets Available for Benefits
 December 31, 2008 and December 31, 2007
 (in thousands)

	December 31, 2008 Non- Participant Directed	December 31, 2007 Non- Participant Directed	Total	December 31, 2008 Participant Directed	December 31, 2007 Participant Directed	Total
Assets						
Investments at fair value	\$ 1,153,826	\$ 46,937	\$ 1,200,763	\$ 1,485,704	\$ 95,025	\$ 1,580,729
Receivables:						
Sponsor	30,425	4,787	35,212	29,415	3,869	33,284
Other	5,209	648	5,857	1,435	1,352	2,787
Total assets	1,189,460	52,372	1,241,832	1,516,554	100,246	1,616,800
Liabilities						
Accrued expenses	15	14	29	12	17	29
Other liabilities	3,910	684	4,594	2,339	1,370	3,709
Total liabilities	3,925	698	4,623	2,351	1,387	3,738
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	10,728	--	10,728	(3,102)	--	(3,102)
Net assets available						

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for plan benefits \$ 1,196,263 \$ 51,674 \$ 1,247,937 \$ 1,511,101 \$ 98,859 \$ 1,609,960

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

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Eastman Investment and Employee Stock Ownership Plan
 Statements of Changes in Net Assets Available for Benefits
 For the Periods Ended December 31, 2008 and December 31, 2007
 (in thousands)

	Participant Directed	December 31, 2008 Non- participant Directed	Total	Participant Directed	December 31, 2007 Non- participant Directed	Total
Additions to net assets:						
Investment income (loss)						
Interest	\$ 26,616	\$ -	\$ 26,616	\$ 27,555	\$ -	\$ 27,555
Dividends	27,171	2,658	29,829	67,710	2,840	70,550
Net appreciation (depreciation) in fair value of investments	(353,623)	(51,707)	(405,330)	34,503	4,074	38,577
Net investment gain (loss)	(299,836)	(49,049)	(348,885)	129,768	6,914	136,682
Participant contributions	70,138	--	70,138	80,729	-	80,729
Plan Sponsor contributions	31,574	4,776	36,350	29,415	3,869	33,284
Total additions	(198,124)	(44,273)	(242,397)	239,912	10,783	250,695
Deductions from net assets:						
Distributions to and withdrawals by participants						
	115,798	3,667	119,465	159,653	6,052	165,705
Administrative expenses	161	-	161	180	-	180
Total deductions	115,959	3,667	119,626	159,833	6,052	165,885
Interfund transfers, net						
	(755)	755	-	12,122	(12,122)	-
	(314,838)	(47,185)	(362,023)	92,201	(7,391)	84,810

Net increase (decrease) in net assets						
Net assets available for plan benefits at beginning of period	1,511,101	98,859	1,609,960	1,418,900	106,250	1,525,150
Net assets available for plan benefits at end of period	\$ 1,196,263	\$ 51,674	\$ 1,247,937	\$ 1,511,101	\$ 98,859	\$ 1,609,960

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

Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

1. DESCRIPTION OF PLAN

The Eastman Investment and Employee Stock Ownership Plan (the "Plan") is a defined contribution plan of a controlled group of corporations consisting of Eastman Chemical Company and certain of its wholly-owned subsidiaries operating in the United States ("Eastman", the "Company" or the "Plan Sponsor"). The Plan is organized pursuant to Sections 401(a) and (k) and Section 4975(e) (7) of the Internal Revenue Code. 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 31, 2008 and December 31, 2007 was \$26,000 and \$29,000, respectively. There were no forfeitures used in 2008 or 2007.

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 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.

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 \$15,500 for 2008 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 35% of qualifying compensation, as defined in the Plan, for 2008 up to certain Internal Revenue Code limitations. Plan Sponsor contributions are also subject to certain other limitations. Participants' salary deferrals are contributed to the Plan by Eastman on behalf of the participants. The Plan's Trustee invests amounts contributed to the Plan, as designated by the participant, in common stock of Eastman, various growth and income mutual funds, and/or interest in a guaranteed investment contract fund (see Notes 6 and 7). Generally, participants may transfer amounts among the funds on any business day. Additionally, participants may diversify amounts from their ESOP Fund account within the Plan (see Note 10). Each participant is at all times 100% vested in their account, with the exception of amounts transferred from other plans, which continue to be subject to the former plans' vesting requirements. The Plan requires for the 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.

Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

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.

Loans

The Investment Plan Committee ("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 31, 2008, \$31.3 million in loans were outstanding for terms of 4 to 119 months and interest rates ranging from 4.25% to 10.50%. At December 31, 2007, \$30.0 million in loans were outstanding for terms from 6 to 121 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 \$1,000. Separated participants with accounts in excess of \$1,000 or who are retirement-eligible may elect either (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, distributions in monthly or annual installments. Participants in the Eastman Stock Fund or ESOP Fund may elect a lump sum distribution in Eastman common stock.

Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

- In the event of death, the value of a participant's account is paid in a lump sum if the designated beneficiary is not the surviving spouse or if the account value is less than or equal to \$1,000. If the beneficiary is a surviving spouse and the participant account value exceeds \$5,000, payment will be made in either a lump-sum amount or, at the election of the surviving spouse, in monthly or annual installments.
- Distributions to participants shall commence in the year following the year a participant attains age 70½, unless the participant 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. They are also granted for payment of funeral expenses for a deceased parent, spouse or child of the participant, or payment of expenses for repair or damage to the participants' principal residence. Hardship withdrawals may not exceed the value of the participant's accounts in the Plan on the date of withdrawal.
- The Trustee is authorized to honor qualified domestic relation orders issued and served in accordance with Section 414(p) of the Internal Revenue Code.

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.

Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

Allocations to participants' ESOP Fund accounts

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

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

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

In the fourth quarter of 2006, the Company sold its Batesville, Arkansas manufacturing facility and related assets in its performance chemicals and intermediates segment and also its polyethylene-related assets at the Longview, Texas facility in the performance polymers and coatings, adhesives, specialty polymers and inks segments. In February 2007, the Company made a discretionary contribution to the account of each participant whose employment was terminated in connection with these sales equal to 5% of the compensation paid to each participant for the period January 1, 2006 to the dates of the respective sales.

On or after January 1, 2007, each eligible employee hired by the Company will, in addition to the RSC, be automatically enrolled as a participant in the Eastman Investment Plan ("EIP") portion of the Plan. The participants will be deemed to have elected to defer 7% of their qualifying compensation to the EIP portion of the Plan, unless they affirmatively decline or they elect to contribute a percentage other than 7%. Each participant will also be eligible to receive a matching contribution from the Company equal to 50% of the first 7% of their pay that they contribute to the Plan each pay period.

Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

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.

As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1 , Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans ("the FSP"), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the FSP, the Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

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.

Investment policy and valuation

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

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

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

Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

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

The Plan presents in the 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.

Payments to participants

Benefits payments to participants are recorded when paid.

3. RISKS AND UNCERTAINTIES

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

4. CONTRIBUTIONS

Participant contributions represent qualifying compensation and other qualifying employee bonuses withheld from participating employees by Eastman and contributed to the Plan.

Contributions are invested in the Plan's funds as directed by the participants, with the exception of the ESOP Fund, subject to ERISA funding limitations. The Plan has accrued sponsor contributions for participant-directed funds of \$30.4 million and \$29.4 million and for the non-participant-directed ESOP Fund of \$4.8 million and \$3.9 million at December 31, 2008 and 2007, respectively.

5. 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 other changes in net assets are included in the participant-directed funds in the Statements of Net Assets and Changes in Net Assets Available for Benefits, respectively.

Unless otherwise specified by the participant, loan proceeds will be withdrawn from the investment funds on a pro-rata basis. Outstanding loans at December 31, 2008 and 2007 were approximately \$31.3 million and \$30.0 million, respectively. Interest income earned on loans to participants is credited directly to the participants' accounts and was approximately \$2.5 million and \$2.4 million for 2008 and 2007, respectively.

Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

6. INVESTMENTS

At December 31, 2008 and 2007, the Plan's assets were invested in synthetic investment contracts (see Note 7), 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 following table presents the fair value of investments by type.

(in thousands)	December 31, 2008	December 31, 2007
Cash	\$ 949	\$ 2,901
Common Stock	135,332	169,904
Mutual Funds	503,650	806,027
Managed Income Fund	551,135	588,884
Self Directed Brokerage Account	9,697	13,013
Total	\$ 1,200,763	\$ 1,580,729

The following investment options, which invest primarily in common stock of the Plan sponsor, were available to participants in 2008 and 2007:

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 2008, the Trustee purchased 3,208,000 shares of Eastman stock for the fund at an average price of \$51.01 per share, and sold 1,622,000 shares of Eastman stock for the fund at an average price of \$61.12 per share. During 2007, the Trustee purchased 1,528,100 shares of Eastman stock for the fund at an average price of \$64.12 per share and sold 1,320,400 shares at an average price of \$65.27 per share. Dividends paid from the Eastman Stock Fund totaled \$2.9 million and \$1.9 million in 2008 and 2007, 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 2008, the Trustee purchased 57,400 shares of Eastman stock for the fund at an average price of \$66.69 per share, and sold 118,100 shares of Eastman stock for the fund at an average price of \$63.04 per share. During 2007, the Trustee purchased 63,900 shares of Eastman stock for the fund at an average price of \$59.76 per share, and sold 236,200 shares at an average price of \$64.12 per share.

At December 31, 2008 and December 31, 2007, the following investments represented 5% or greater of ending net assets, (in thousands):

	December 31, 2008	
	Shares	Fair value
Eastman Chemical Company Common Stock, Participant Directed	11,721\$	88,856
Eastman Chemical Company Common Stock, Non Participant Directed	6,202	46,476
Fidelity Magellan® Fund	930	42,616
Fidelity Contrafund	1,999	90,433
	December 31, 2007	
	Shares	Fair value
Eastman Chemical Company Common Stock, Participant Directed	5,425\$	75,794
Eastman Chemical Company Common Stock, Non Participant Directed	6,560	94,110
Fidelity Magellan® Fund	935	87,727
Fidelity Contrafund	2,064	150,903

During 2008 and 2007, the Plan's investments (including investments bought, sold and held during the year) depreciated and appreciated respectively in value by \$405.3 million and \$38.6 million, respectively, as follows (in thousands):

	Net Appreciation (Depreciation) December 31, 2008	Net Appreciation (Depreciation) December 31, 2007
Eastman Chemical Company Common Stock, Non Participant Directed	\$ (51,707)	\$ 4,074
Eastman Chemical Company Common Stock, Participant Directed	(48,682)	3,875
Mutual Funds	(304,941)	30,628

Total	\$	(405,330)	\$	38,577
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Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

7. INSURANCE CONTRACTS

The Plan invests in the Managed Income Fund (the "Fund"), which invests in synthetic guaranteed investment contracts ("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.

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

Wrap contracts accrue interest using a formula called the "crediting rate." Wrap contracts use the crediting rate formula to convert market value changes in the covered assets into income distributions in order to minimize the difference between the market and contract value of the covered assets over time. Using the crediting rate formula, an estimated future market value is calculated by compounding the Fund's current market value at the Fund's current yield to maturity for a period equal to the Fund's duration. The crediting rate is the discount rate that equates that estimated future market value with the Fund's current contract value. Crediting rates are reset quarterly. The wrap contracts provide a guarantee that the crediting rate will not fall below 0%.

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

Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

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

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

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

The average yields for the Fund are as follows:

Average yields:	December 31, 2008	December 31, 2007
Based on actual earnings	4.28 %	5.02 %
Based on interest rate credited to participants	4.06 %	4.65 %

The weighted average crediting interest rate for the Fund was 3.98% and 4.67% at December 31, 2008 and 2007, respectively.

The value of the Fund reflected in these financial statements is based upon the principal invested and the interest credited. The fair value of the Fund, by investment type, as of December 31, 2008 and 2007 was as follows:

(in thousands)	December 31, 2008	December 31, 2007
Security backed investments:		
Underlying assets at fair value	\$ 551,135	\$ 588,884
Wrap contracts	10,728	(3,102)
Total contract value	\$ 561,863	\$ 585,782

Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

8. FAIR VALUE MEASUREMENT

Financial Accounting Standards Board Statement No. 157, Fair Value Measurements (“FASB Statement No. 157”), establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

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

1 -

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

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

3 -

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

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

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

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

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

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

Participant loans: Valued at amortized cost, which approximates fair value.

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

Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2008:

Description	Fair Value Measurements at December 31, 2008			
	December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 949	\$ 949	\$ --	\$ --
Common Stock	135,332	135,332	--	--
Mutual Funds	472,396	472,396	--	--
Managed Income Fund	551,135	--	551,135	--
Self Directed Brokerage Account	9,697	9,697	--	--
Participant Loans	31,254	--	--	31,254
Total	\$ 1,200,763	\$ 618,374	\$ 551,135	\$ 31,254

The table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2008.

Description	Level 3 Assets Year Ended December 31, 2008	
	Participant Loans	
Balance, beginning of year	\$	29,973
Issuances, settlements and write-offs (net)		1,281
Balance, end of year	\$	31,254

9. OTHER RECEIVABLES AND OTHER LIABILITIES

Other receivables in the amount of \$5.6 million and \$2.8 million at December 31, 2008 and 2007, respectively, represent interest and dividends receivable, as well as receivables from the sale of investments. Other liabilities in the amount of \$4.6 million and \$3.7 million at December 31, 2008 and 2007, respectively, represent liabilities from the purchase of investments.

10. DIVERSIFICATION FROM ESOP FUND

A participant may direct that all or any portion of his ESOP Fund account be transferred to other funds in the Plan without restrictions. During 2008 and 2007, \$6.0 million and \$9.9 million, respectively, were transferred from the ESOP Fund within the Plan in connection with this program.

11. PLAN TERMINATION

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

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Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

12. 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.

13. PLAN EXPENSES

Reasonable expenses of administering the Plan, unless paid by the Company, shall be paid by the Plan. For both 2008 and 2007, trustee fees associated with the Eastman Stock Fund and the Eastman ESOP Fund were paid with assets of those individual funds. Brokerage fees, transfer taxes, investment fees and other expenses incidental to the purchase and sale of securities and investments shall be included in the cost of such securities or investments or deducted from the sales proceeds, 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 2008 and 2007, the Company paid all other expenses of the Plan related to plan oversight and administration, including audit fees.

14. RELATED PARTIES

Certain Plan investments are shares of mutual funds managed by 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.

15. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

(in thousands)	December 31, 2008	December 31, 2007
Investments at fair value	\$ 1,200,763	\$ 1,580,729
Adjustment from fair value to contract value for full benefit-responsive investment contracts	10,728	(3,102)
Total investments per Form 5500	\$ 1,211,491	\$ 1,577,627

Supplemental Schedule

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Eastman Investment and Employee Stock Ownership Plan
 Schedule H, Line 4 (i) – Schedule of Assets (Held at End of Year)
 December 31, 2008
 (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, 11,721 shares	**	88,856
*	Fidelity Management Trust Company	Interest Bearing Cash, Participant directed	**	488
*	Eastman Chemical Company	Common stock, Non Participant directed, 6,202 shares	77,481	46,476
*	Fidelity Management Trust Company	Interest Bearing Cash, Non Participant directed	461	461
*	Fidelity Fund K	Registered Investment Company, 1,222 shares	**	27,807
*	Fidelity Puritan Fund K	Registered Investment Company, 2,821 shares	**	36,817
*	Fidelity Magellan Fund K	Registered Investment Company, 930 shares	**	42,616
*	Fidelity Contrafund K	Registered Investment Company, 1,999 shares	**	90,433
*	Fidelity Spartan U.S. Equity Index Portfolio	Registered Investment Company, 806 shares	**	25,712
*	Fidelity International Discovery Fund K	Registered Investment Company, 1,521 shares	**	35,850
*	Fidelity Blue Chip Growth Fund K	Registered Investment Company, 359 shares	**	9,444
*	Fidelity Freedom Income Fund	Registered Investment Company, 284 shares	**	2,714
*	Fidelity Freedom 2000 Fund	Registered Investment Company, 156 shares	**	1,569
*	Fidelity Freedom 2010 Fund	Registered Investment Company, 1,011 shares	**	10,472
*	Fidelity Freedom 2020 Fund	Registered Investment Company, 1,469 shares	**	14,763
*	Fidelity Freedom 2030 Fund	Registered Investment Company, 980 shares	**	9,566
*	Fidelity Freedom 2040 Fund	Registered Investment Company, 823 shares	**	4,603
*	Fidelity Spartan Extended Market Index Portfolio	Registered Investment Company, 383 shares	**	8,627
*	Fidelity Spartan International Index Fund	Registered Investment Company, 326 shares	**	8,706
*	Participant Loans	Participant Loan Fund with terms ranging from 4 - 119 months and rates ranging from 4.25% to 10.5%	**	31,254
*	Fidelity Retirement Money Market		**	147

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	Registered Investment Company, 148 shares		
* Clipper Fund	Registered Investment Company, 166 shares	**	6,649
* PIMCO Total Return Institutional Class	Registered Investment Company, 3,897 shares	**	39,515
* Franklin Small Mid Cap Growth Fund	Registered Investment Company, 683 shares	**	14,192
* WFA Small Cap Val Inst	Registered Investment Company, 1,093 shares	**	19,842
* TCW Select Equity I	Registered Investment Company, 108 shares	**	1,113
* Neuberger and Berman Genesis Instl Cl	Registered Investment Company, 1,602 shares	**	47,794
* Templeton Foreign Fund	Registered Investment Company, 1,801 shares	**	7,907

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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	
Fidelity Freedom 2005 Fund	Registered Investment Company, 16 shares	**	132	
Fidelity Freedom 2015 Fund	Registered Investment Company, 331 shares	**	2,836	
Fidelity Freedom 2025 Fund	Registered Investment Company, 122 shares	**	1,008	
Fidelity Freedom 2035 Fund	Registered Investment Company, 63 shares	**	504	
Fidelity Freedom 2045 Fund	Registered Investment Company, 56 shares	**	366	
Fidelity Freedom 2050 Fund	Registered Investment Company, 107 shares	**	692	

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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
Fidelity short term cash fund		Cash	**	306
ANZ National		Corporate Bond 6.2 7/19/13 144A	**	682
AT&T Wireless		Corporate Bond 7.875% 3/01/11	**	738
AXA Financial		Corporate Bond 7.75% 8/01/10	**	961
Ace Securities Corp.		ACE Mortgage backed security 1ML+75		
03-HS1 M1		6/33	**	1
Advanta Business Card Master	ABCMT			
07-A2 A2		Mortgage backed security 5% 3/13	**	2,318
Advanta Business Card Master B	ABCMT 07-B2	Mortgage backed security 5.5% 6/20/13	**	617
America Movl		Corporate Bond 4.125 3/1/09	**	1,324
American Honda		Corporate Bond 4.5 5/26/09 144A	**	1,214
Americredit Automobile Receivable A4	AMCAR 04-DF	Mortgage backed security 3.43 7/11	**	313
Americredit Automobile Receivable A4	AMCAR 05-CF	Mortgage backed security 4.63 6/12	**	794
Americredit Automobile Receivable	AMCAR 06-1 B	Mortgage backed security 5.2 3/11	**	69
Americredit Prime Automobile Receivable	APART 07-1 B	Mortgage backed security 5.35% 3/11	**	196
Americredit Prime Automobile Receivable	APART 07-1 C	Mortgage backed security 5.43 7/11	**	115
Americredit Prime Automobile Receivable	APART 07-2M A3A	Mortgage backed security 5.22% 4/10	**	452
Americredit Automobile Receivable A4	AMCAR 06-BG	Mortgage backed security 5.21% 9/13	**	553
Avon Products		Corporate Bond 4.8% 3/01/13	**	519
BBVA Banc		Corporate Bond 5.3795 7/22/15 144A	**	463
BHP Billiton		Corporate Bond 5.125% 3/29/12	**	1,211
BTM Curacao		Corporate Bond 4.76% 7/21/15 144A	**	412
Baltimore G&E		Corporate Bond 6.125% 7/01/13	**	464
Bank of America Commercial Mortgage	BACM 04-6 XP	Interest Only Strip CSTR 12/42	**	54
		Mortgage backed security 4.342 3/41	**	706

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Bank of America Commercial				
Mortgage	BACM 2003-2 A2			
Bank of America Commercial				
Mortgage	BACM 05-3 XP	Interest Only Strip CSTR 7/43	**	135
Bank of America Commercial		Mortgage backed security 4.128%		
Mortgage	BACM 04-4 A3	7/42	**	675
Bank of America Commercial				
Mortgage	BACM 05-4 A1	Mortgage backed security 4.432 7/45	**	271
Bank of America Commercial Mortgage				
	BACM 04-5 XP	Interest Only Strip CSTR 11/41	**	74
Bank of America Commercial				
Mortgage	BACM 05-4 XP	Interest Only Strip CSTR 7/45	**	41
Bank of America Commercial				
Mortgage	BACM 05-5 A1	Mortgage backed security 4.716 8/10	**	604

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 (in thousands)

(a)	(b)	(c)	(d)	(e)
Identity of issue, borrower, lessor, or similar party		Description of investment, including maturity date, rate of interest, collateral, par or maturity value	Historical cost	Current Value
Bank of America Commercial Mortgage	BACM 05-6 A1	Mortgage backed security 5.001 9/47	**	377
Bank of America Mortgage Security	BOAMS 04-J 2A1	Mortgage backed security CSTR 11/34	**	240
Bank of America Mortgage Security	BOAMS 05-E 2A7	Mortgage backed security CSTR 6/35	**	374
Bank of America Mortgage Security	BOAMS 05-J 2A4	Mortgage backed security 12ML 11/35	**	1,594
Bank of America Commercial Mortgage	BACM 06-6 XP	Interest Only Strip CSTR 10/45	**	217
Bank of America Commercial Mortgage	BACM 06-5 A1	Mortgage backed security 5.185% 7/11	**	249
Bank of America Commercial Mortgage	BACM 2006-5 XP	Interest Only Strip .832% 9/47	**	183
Bank America		Corporate Bond 7.8% 2/15/10 GLBL	**	226
Bank America		Corporate Bond 4.9% 5/01/13	**	392
Bank of New York		Corporate Bond 4.95 1/14/11	**	166
Bank NY Mellon		Corporate Bond 4.95 11/12	**	753
Bank One Corporation		Corporate Bond 7.875% 8/01/10	**	1,205
Bank One Issuance Trust	BOIT			
04-B2 B2		Mortgage backed security 4.37% 4/12	**	1,229
Bank of Tokyo Mit		Corporate Bond 8.4 4/15/10	**	1,129
Bayview Commercial Asset Trust	BAYC 04-2 A	Mortgage backed security 1ML+43 8/34	**	173
Bayview Commercial Asset Trust	BAYC 04-2 M1	Mortgage backed security 1ML+58 8/34	**	48
Bayview Commercial Asset Trust	BAYC 04-3 M1	Mortgage backed security 1ML+50 1/35	**	36
Bayview Commercial Asset Trust	BAYC 04-3 M2	Mortgage backed security 1ML+100 1/35	**	21
Bear Stearns Commercial Mortgage	BSCMS 04-ESA A3	Mortgage backed security 4.741% 5/16	**	1,128
Bear Stearns Commercial Mortgage	BSCMS 04-ESA B	Mortgage backed security 4.888% 5/16	**	346

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Bear Stearns Commercial Mortgage 04-ESA C	BSCMS	Mortgage backed security 4.937% 5/16	**	391
Bear Stearns Commercial Mortgage 04-ESA D	BSCMS	Mortgage backed security 4.986% 5/16	**	140
Bear Stearns Commercial Mortgage E	BSCMS 04-ESA	Mortgage backed security 5.064% 5/16	**	442
Bear Stearns Commercial Mortgage	BSCMS 04-ESA F	Mortgage backed security 5.182% 5/16	**	105
Bear Stearns Commercial Mortgage A2	BSCMS 04-PWR5	Mortgage backed security 4.254 7/42	**	551
Bear Stearns Commercial Mortgage 04-PWR5 X2	BSCMS	Interest Only Strip CSTR 7/42	**	80
Bear Stearns Commercial Mortgage A3	BSCMS 04-T16	Mortgage backed security 4.03 2/46	**	1,289

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 December 31, 2008
 (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
Bear Stearns Commercial Mortgage	BSCMS 03-T12 X2	Interest Only Strip CSTR 8/39	**	21
Bear Stearns Commercial Mortgage	BSCMS 04-PWR6 X2	Interest Only Strip CSTR 11/41	**	53
Bear Stearns Commercial Mortgage	BSCMS 05-PWR9 A1	Mortgage backed security 4.498 9/42	**	549
Bear Stearns Commercial Mortgage	BSCMS 05-T20 A1	Mortgage backed security 4.94% 10/42	**	435
Bear Stearns Commercial Mortgage	BSCMS 06-PW13 X2	Interest Only Strip CSTR 9/41	**	121
Bear Stearns Commercial Mortgage	BSCMS 2006-T24 X2	Interest Only Strip CSTR 10/41	**	122
Bear Stearns Commercial Mortgage	BSCMS 07-PW15 A1	Mortgage backed security 5.016% 2/44	**	45
Bear Stearns Commercial Mortgage	BSCMS 2007-PW15 X2	Interest Only Strip CSTR 2/44	**	354
Bear Stearns Commercial Mortgage	BSCMS 07-T26 X2	Interest Only Strip CSTR 1/12/45	**	142
Bear Stearns		Corporate Bond 4.245% 1/7/10	**	876
Bear Stearns		Corporate Bond 5.85% 7/19/10	**	187
Bellsouth		Corporate Bond 4.2% 9/15/09 DT	**	879
Brazos Higher Education Authority	BRHEA 06-A A2R	Mortgage backed security 5.03% 12/41	**	1,477
British G Step		Corporate Bond 12/10 DT	**	1,260
CDC Financial Products		Synthetic GIC – 4.194%	**	153
CNH Equipment Trust	CNH 05-B	Mortgage backed security 4.57 7/12	**	353
Commercial Mortgage Pass-Through	COMM 05-C6 XP	Interest Only Strip CSTR 6/44	**	66
CPS Auto Trust	CPS	Mortgage backed security 5.47% 11/11	**	149
CPS Auto Trust	CPS	Mortgage backed security 5.14% 1/11	**	422
CPS Auto Trust	CPS 2007-C A3	Mortgage backed security 5.45 5/12 144A	**	335

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Countrywide Asset-Backed Certificate	CWL 04-4 A	Mortgage backed security 1ML+37.5 8/34	**	15
Countrywide Home Loans	CWHL			
05-HYB3 2A6B		Mortgage backed security CSTR 6/35	**	150
Capital Auto Receivables Asset	CARAT 07-1 B	Mortgage backed security 5.15% 9/12	**	338
Capital Auto Receivables Asset	CARAT 07-SN1 B	Mortgage backed security 5.52% 3/15/11	**	153
Capital Auto Receivables Asset	CARAT 07-SN1 C	Mortgage backed security 5.73% 3/15/11	**	95
Capital Auto Receivables Asset	CARAT 06-1 B	Mortgage backed security 5.26 10/10	**	221

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 (in thousands)

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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	
Capital Auto Receivables				
Asset	CARAT 2006-SN1A			
A4A	Mortgage backed security 5.32% 3/10	**	714	
Capital One Auto Finance				
Trust	COAFT 05-BSS C	Mortgage backed security 4.48 12/10	**	578
Capital One Auto Finance				
Trust	COAFT 05-C A4A	Mortgage backed security 4.71 6/12	**	2,056
Capital One Multi-Asset				
Executive	COMET 04-B6 B6	Mortgage backed security 4.155 7/12	**	1,021
Capital One Multi-Asset				
Executive	COMET 07-B3 B3	Mortgage backed security 5.05% 3/13	**	2,380
Capital One Multi-Asset				
Executive	COMET 07-B5 B5	Mortgage backed security 5.4% 5/13	**	1,113
Capital One Prime Auto Receivable				
	COPAR 06-2 A4	Mortgage backed security 4.94% 7/12	**	474
Capital One Prime Auto				
Receivable	COPAR 2007-1 B1	Mortgage backed security 5.76% 12/13	**	385
Capital Trust Re Cdo				
Ltd	CTCDO 04-1A			
A2	Mortgage backed security 1ML+45 7/39	**	81	
Capital Trust Re Cdo				
Ltd	CTCDO 04-1A			
B	Mortgage backed security 1ML+75 7/39	**	24	
Capital Trust Rd Cdo Ltd				
	CTCDO 04-1A C	Mortgage backed security 1ML+110 7/39	**	21
CARGILL INC		Corporate Bond 6.375% 6/12 144A	**	2,095
Citigroup/Deutsche Bank				
Commercial	CD 06-CD3 XP	Interest Only Strip CSTR 10/48	**	431
Cendant Timeshare				
Receivables	CDTIM 05-1A			
A1	Mortgage backed security 4.67 5/17	**	106	
CHASE MANHATTAN		Corporate Bond 7.875% 6/15/10	**	1,029
Chase Mortgage Finance Corporation				
	CHASE 07-A2 2A1	Mortgage backed security CSTR 7/37	**	54
Chile Rep Global		Foreign Bond 6.875 4/28/09 DT	**	41
Citibank Credit Card				
Issuance	CCCIT 06-B2			
B2	Mortgage backed security 5.15% 3/11	**	1,333	
	Mortgage backed security 5% 4/12	**	1,647	

Citibank Credit Card Issuance B2	CCCIT 07-B2			
Citibank Credit Card Issuance B6	CCCIT 07-B6	Mortgage backed security 5% 11/12	**	1,069
Citigroup Commercial Mortgage XP	CGCMT 04-C2	Interest Only Strip CSTR 10/41	**	80
Citigroup Commercial Mortgage A2	CGCMT 05-EMG	Mortgage backed security 4.2211 9/51	**	333
CW Capital Colbalt 07-C2 A1	CWCI	Mortgage backed security CSTR 9/11	**	289
Commercial Mortgage Pass-Through	COMM 06-C8 A1	Mortgage backed security 5.11% 12/46	**	386
Commercial Mortgage Pass-Through	COMM 06-C8 XP	Interest Only Strip CSTR 12/46	**	538

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Commercial Mortgage Pass-Through 06-CN2A BFX	COMM	Mortgage backed security 5.537 2/19	**	167
Commercial Mortgage Pass-Through 06-CN2A CFX	COMM	Mortgage backed security 5.47945 2/19	**	69
Commercial Mortgage Pass-Through 06-CN2A D	COMM	Mortgage backed security 5.52861 2/19	**	107
Commercial Mortgage Pass-Through 06-CN2A E	COMM	Mortgage backed security CSTR 2/19	**	163
Commercial Mortgage Pass-Through 06-CN2A F	COMM	Mortgage backed security CSTR 2/19	**	37
Commercial Mortgage Pass-Through 04-LB4A XP	COMM	Interest Only Strip CSTR 10/37	**	132
Commercial Mortgage Pass-Through COMM 05-LP5 XP		Interest Only Strip CSTR 5/43	**	51
Greenwich Capital Commercial F GCCFC 07-GG11 XP		Interest Only Strip .48% 12/49	**	583
Constellation GN Continental Airlines Inc		Corporate Bond 6.125% 9/01/09	**	545
AIR 991A	CONTL	Mortgage backed security 6.545% 2/02/19	**	696
Countrywide MTN		Corporate Bond 4.125% 9/15/09	**	26
Covidien Int		Corporate Bond 5.15% 10/15/10	**	1,633
Covidien Int		Corporate Bond 5.45% 10/12	**	386
Credit Suisse		Corporate Bond 5% 5/15/13	**	2,035
CS First Boston Mortgage Security CSFB 03-C4 A3		Mortgage backed security CSTR 8/36	**	496
CS First Boston Mortgage Security CSFB 04-C1 A3		Mortgage backed security 4.321 1/37	**	452
CS First Boston Mortgage Security CSFB 04-C4 ASP		Interest Only Strip CSTR 10/39	**	71
Credit Suisse Mortgage Capital A1	CSMC 07-C3	Mortgage backed security CSTR 6/39	**	219

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Credit Suisse Mortgage Capital ASP	CSMC 06-C5	Interest Only Strip CSTR 12/39	**	480
Credit Suisse Mortgage Capital ASP	CSMC 06-C4	Interest Only Strip CSTR 9/39	**	829
Credit Suisse Mortgage Capital A1	CSMC 07-C1	Mortgage backed security 5.227 2/40	**	227
Credit Suisse Mortgage Capital ASP	CSMC 07-C1	Interest Only Strip CSTR 2/40	**	540
Credit Suisse Mortgage Capital A1	CSMC 07-C2	Mortgage backed security 5.237 1/49	**	185
CS First Boston Mortgage Security	CSFB 05-C1 ASP	Interest Only Strip CSTR 2/38	**	64
CS First Boston Mortgage Security	CSFB 05-C4 ASP	Interest Only Strip CSTR 8/38	**	170
CS First Boston Mortgage Security	CSFB 05-C2 ASP	Interest Only Strip CSTR 4/37	**	92
DBS Bank Ltd		Corporate Bond 5.125/VAR 5/17 144A	**	1,530

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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
DLJ Commercial Mortgage Corp	DLJCM 00-CF1			
A1B		Mortgage backed security 7.62 6/33	**	813
Daimler Chrysler		Corporate Bond 5.75% 8/10/09	**	2,853
Daimler Chrysler Auto Trust	DCAT 2006-C			
B		Mortgage backed security 5.11% 4/13	**	682
John Deere Capital		Corporate Bond 4.875% 3/16/09	**	290
Deutsche Telekom Int Fin		Corporate Bond 5.375% 3/23/11	**	271
Diageo Capital		Corporate Bond 5.2 1/30/13	**	639
DRT 00-1A A2		Mortgage backed security 6.971% 3/10	**	40
Donnelley RR		Corporate Bond 3.75% 4/1/09	**	1,907
Drive Auto Receivables Trust	DRIVE 06-2			
A-2		Mortgage backed security 5.3% 7/11	**	114
Drivetime Auto Owner Trust	DRVT			
2006-A A3		Mortgage backed security 5.501% 11/11	**	375
DuPont		Corporate Bond 5% 1/15/13	**	289
DuPont		Corporate Bond 5% 7/15/13	**	709
EDP Finance BV		Corporate Bond 5.375 11/12 144A	**	1,068
ERP Operating LP		Corporate Bond 5.5% 10/1/12	**	261
Encana Corp		Corporate Bond 4.75% 10/15/13	**	126
Enel Finance International		Corporate Bond 5.7% 1/15/13144A	**	1,420
Exelon Generation Co LLC		Corporate Bond 6.95% 6/15/11	**	1,232
Freddie Mac		FHLG 15YR 5.00% 5/14 #E76434	**	14
Freddie Mac		FHLG 15YR 5.00% 6/14 #E77224	**	58
Freddie Mac		FHLM ARM 4.889% 3/33 #847126	**	13
Freddie Mac		FHLM ARM 4.69% 11/35 #1B2428	**	586
Freddie Mac		FHLM ARM 4.314% 12/34 #1B2670	**	64
Freddie Mac		FHLM ARM 4.22% 2/35 #1B2747	**	469
Freddie Mac		FHLM ARM 4.63% 3/35 #1B2811	**	298
Freddie Mac		FHLM ARM 4.49% 4/35 #1B2869	**	330
Freddie Mac		FHLM ARM 4.497% 6/35 #1B2907	**	73
Freddie Mac		FHLM ARM 4.68% 1/36 #847584	**	119
Freddie Mac		FHLM ARM 5.084% 8/35 #1J0005	**	109
Freddie Mac		FHLM ARM 4.401% 2/35 #1G0103	**	238
Freddie Mac		FHLM ARM 4.37% 3/35 #1G0125	**	116
Freddie Mac		FHLM ARM 4.444% 3/35 #1G0133	**	94

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Freddie Mac	FHLM ARM 4.504% 3/35 #1G0145	**	80
Freddie Mac	FHLM ARM 4.941% 11/35 #1J1228	**	303
Freddie Mac	FHLM ARM 5.26% 1/36 #1J1274	**	283
Freddie Mac	FHLM ARM 5.88% 4/36 #1J1279	**	532
Freddie Mac	FHLM ARM 4.93% 9/35 #1K1215	**	340
Freddie Mac	FHLM ARM 5.78% 10/35 #1N0063	**	91
Freddie Mac	FHLM ARM 5.62% 12/35 #1N0117	**	402
Freddie Mac	FHLM ARM 5.775% 1/37 #1N1446	**	422
Freddie Mac	FHLM ARM 5.15% 8/36 #1B7241	**	208
Freddie Mac	FHLM ARM 5.85% 1/36 #1G1803	**	721
Freddie Mac	FHLM ARM 5.34% 6/35 #1L0097	**	195

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Freddie Mac		FHLM ARM 4.441% 2/34 #781229	**	55
Freddie Mac		FHLM ARM 4.30% 11/34 #782877	**	267
Freddie Mac		FHLM ARM 4.232% 1/35 #782988	**	100
Freddie Mac		FHLM ARM 4.60% 2/35 #783028	**	253
Freddie Mac		FHLM ARM 4.434% 2/35 #783032	**	98
Freddie Mac		FHLM ARM 4.307% 3/35 #783067	**	53
Freddie Mac		FHLM ARM 4.42% 4/35 #783096	**	390
Freddie Mac		FHLM ARM 4.74% 4/35 #783104	**	464
Fannie Mae		FNMA DN DN 0% 3/25/09	**	8,899
Fannie Mae		FNMA DN 0% 9/25/09	**	5,876
Fannie Mae		FNMA 5 10/15/11	**	19,241
Fannie Mae		FNMA 15YR 7.00% 1/13 #251428	**	4
Fannie Mae		FNMA 15YR 6.50% 11/13 #323755	**	179
Fannie Mae		FNMA 15YR 7.00% 8/14 #323877	**	32
Fannie Mae		FNMA 15YR 6.00% 3/14 #487614	**	30
Fannie Mae		FNMA 15YR 6.50% 9/14 #514373	**	1
Fannie Mae		FNMA 15YR 7.00% 11/14 #522277	**	21
Fannie Mae		FNMA 15YR 6.50% 10/13 #535234	**	321
Fannie Mae		FNMA 15YR 7.00% 6/16 #545122	**	13
Fannie Mae		FNMA ARM 4.305% 8/33 #555696	**	70
Fannie Mae		FNMA ARM 4.38% 7/33 #555702	**	287
Fannie Mae		FNMA 15YR 7.00% 2/16 #569915	**	37
Fannie Mae		FNMA 15YR 6.00% 10/16 #589129	**	19
Fannie Mae		FNMA 15YR 7.00% 8/16 #599602	**	72
Fannie Mae		FNMA 15YR 7.00% 4/17 #636135	**	149
Fannie Mae		FNMA 15YR 6.50% 4/17 #637244	**	120
Fannie Mae		FNMA 15YR 6.00% 11/17 #671380	**	161
Fannie Mae		FNMA 15YR 6.00% 11/17 #672789	**	38
Fannie Mae		FNMA 15YR 6.00% 12/17 #673965	**	46
Fannie Mae		FNMA 3.625% 8/15/11	**	21,033
Fannie Mae		FNMA 2.875% 12/11/13	**	195
Fannie Mae		FNMA 15YR 6.00% 2/18 #684153	**	14
Fannie Mae		FNMA ARM 4.14% 4/33 #688960	**	822
Fannie Mae		FNMA 15YR 7.00% 2/18 #693327	**	199
Fannie Mae		FNMA ARM 4.318% 3/33 #694530	**	25
Fannie Mae		FNMA ARM 4.801% 2/33 #695019	**	47
Fannie Mae		FNMA ARM 4.292% 3/33 #701296	**	19
Fannie Mae		FNMA ARM 3.984% 5/33 #703915	**	11
Fannie Mae		FNMA ARM 4.079% 4/33 #708221	**	7

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Fannie Mae	FNMA ARM	4.57%	6/33	#712321	**	523
Fannie Mae	FNMA ARM	5.12%	1/34	#725109	**	31
Fannie Mae	FNMA ARM	4.862%	9/34	#725855	**	74
Fannie Mae	FNMA ARM	4.832%	8/34	#725858	**	34
Fannie Mae	FNMA ARM	4.409%	10/34	#725968	**	274
Fannie Mae	FNMA 15YR	4.00%	8/18	#727438	**	1,034
Fannie Mae	FNMA ARM	4.115%	2/35	#735343	**	12
Fannie Mae	FNMA ARM	4.319%	5/35	#735538	**	38

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Fannie Mae		FNMA ARM 4.66% 7/35 #735942	**	257
Fannie Mae		FNMA ARM 5.01% 11/35 #745124	**	248
Fannie Mae		FNMA ARM 5.45% 5/36 #745676	**	335
Fannie Mae		FNMA ARM 5.541% 11/36 #745972	**	343
Fannie Mae		FNMA ARM 3.753% 10/33 #746320	**	39
Fannie Mae		FNMA ARM 4.055% 10/18 #749296	**	24
Fannie Mae		FNMA ARM 4.358% 10/33 #754672	**	18
Fannie Mae		FNMA ARM 3.752% 10/33 #755148	**	45
Fannie Mae		FNMA ARM 4.321% 2/35 #773246	**	337
Fannie Mae		FNMA ARM 4.38% 3/35 #773264	**	186
Fannie Mae		FNMA ARM 4.455% 3/35 #773281	**	92
Fannie Mae		FNMA ARM 4.351 1/35 #783580	**	73
Fannie Mae		FNMA ARM 4.499% 3/35 #783587	**	208
Fannie Mae		FNMA ARM 4.876% 7/34 #785318	**	203
Fannie Mae		FNMA ARM 5.106% 9/34 #790762	**	57
Fannie Mae		FNMA ARM 4.82% 8/34 #793420	**	240
Fannie Mae		FNMA ARM 4.96% 8/34 #796988	**	176
Fannie Mae		FNMA ARM 4.202% 1/35 #797418	**	111
Fannie Mae		FNMA ARM 4.67% 11/34 #799727	**	166
Fannie Mae		FNMA ARM 4.85% 11/34 #799812	**	135
Fannie Mae		FNMA ARM 4.825% 12/34 #800297	**	121
Fannie Mae		FNMA ARM 4.845% 12/34 #800335	**	46
Fannie Mae		FNMA ARM 5.00% 9/34 #801341	**	681
Fannie Mae		FNMA ARM 5.05% 7/34 #801635	**	22
Fannie Mae		FNMA ARM 4.118% 1/35 #807221	**	40
Fannie Mae		FNMA ARM 4.5% 2/35 #809429	**	534
Fannie Mae		FNMA ARM 4.38% 2/35 #809593	**	385
Fannie Mae		FNMA ARM 4.625% 2/35 #809931	**	155
Fannie Mae		FNMA ARM 4.57% 2/35 #811803	**	35
Fannie Mae		FNMA ARM 4.85% 1/35 #813844	**	321
Fannie Mae		FNMA ARM 4.293% 3/35 #815586	**	29
Fannie Mae		FNMA ARM 4.75% 5/35 #815626	**	104
Fannie Mae		FNMA ARM 4.372% 4/35 #820407	**	20
Fannie Mae		FNMA ARM 4.5% 5/35 #820996	**	34
Fannie Mae		FNMA ARM 4.575% 7/35 #822002	**	109
Fannie Mae		FNMA ARM 5.12% 6/35 #823810	**	115
Fannie Mae		FNMA ARM 4.796% 8/35 #825485	**	142
Fannie Mae		FNMA ARM 4.58% 7/35 #826362	**	864
Fannie Mae		FNMA ARM 4.302% 1/35 #827592	**	55

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Fannie Mae	FNMA ARM	5.10%	5/35	#827782	**	141
Fannie Mae	FNMA ARM	4.520%	8/35	#829603	**	95
Fannie Mae	FNMA ARM	5.203%	6/35	#830605	**	201
Fannie Mae	FNMA ARM	4.555%	7/35	#832099	**	169
Fannie Mae	FNMA ARM	5.344%	7/35	#834917	**	21
Fannie Mae	FNMA ARM	5.04%	7/35	#834931	**	704
Fannie Mae	FNMA ARM	5.101%	7/35	#841837	**	255
Fannie Mae	FNMA ARM	5.349%	12/34	#843013	**	61
Fannie Mae	FNMA ARM	5.280%	3/35	#843014	**	21

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Fannie Mae		FNMA ARM 5.16% 9/35 #843021	**	989
Fannie Mae		FNMA ARM 4.69% 11/35 #844061	**	327
Fannie Mae		FNMA ARM 4.893% 10/35 #847787	**	116
Fannie Mae		FNMA ARM 5.32% 1/36 #850852	**	446
Fannie Mae		FNMA ARM 5.409% 2/36 #865319	**	59
Fannie Mae		FNMA ARM 5.839% 1/36 #879146	**	371
Fannie Mae		FNMA ARM 5.40% 11/35 #879153	**	270
Fannie Mae		FNMA ARM 5.80% 3/36 #881670	**	170
Fannie Mae		FNMA ARM 6.25% 6/36 #886983	**	50
Fannie Mae		FNMA ARM 4.56% 5/35 #888115	**	870
Fannie Mae		FNMA ARM 4.86% 7/35 #888382	**	597
Fannie Mae		FNMA ARM 5.07% 9/36 #888398	**	1,260
Fannie Mae		FNMA 15YR 4.50% 12/18 #888889	**	1,955
Fannie Mae		FNMA ARM 4.36% 10/37 #889704	**	319
Fannie Mae		FNMA ARM 5.08% 9/36 #889945	**	66
Fannie Mae		FNMA ARM 4.21% 5/35 #889946	**	526
Fannie Mae		FNMA ARM 5.57% 5/36 #891228	**	737
Fannie Mae		FNMA ARM 5.50% 5/36 #896475	**	298
Fannie Mae		FNMA ARM 4.90% 2/36 #995015	**	4,885
Fannie Mae		FNMA ARM 4.59% 7/35 #995016	**	388
Fannie Mae		FNMA ARM 4.30% 2/35 #995017	**	636
Fannie Mae		FNMA ARM 4.987% #995269	**	3,462
Fannie Mae		FNMA ARM 4.785% 2/36 #995271	**	846
Fannie Mae		FNMA ARM 4.898% 5/35 #995272	**	63
Fannie Mae		FNMA ARM 4.58% 7/35 #995273	**	209
Fannie Mae		FNMA ARM 4.765% 1/34 #995274	**	15
Fidelity		FID INST CASH PORT: MM FUND		
First Investors Auto Owner		CLASS I SHS F/N/A	**	24,041
Trust	FIAOT 06A A3	Mortgage backed security 4.93 2/15/11	**	96
Fleetboston Fin		Corporate Bond 7.375% 12/1/09	**	887
Ford Credit Auto Owner				
Trust	FORDO 2006-B B	Mortgage backed security 5.43% 2/12	**	548
Ford Credit Auto Owner				
Trust	FORDO 2006-C B	Mortgage backed security 5.3% 6/12	**	255
Ford Credit Auto Owner				
Trust	FORDO 07-A B	Mortgage backed security 5.6% 10/12	**	148
Franklin Auto		Mortgage backed security 5.03% 7/14	**	1,959
Trust	FRNK			

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06-1 A4 Franklin Auto Trust	FRNK			
06-1 B1 Franklin Auto Trust	FRNK	Mortgage backed security 5.14% 7/14	**	110
07-1 B Fremont Home Loan Trust	FRNK	Mortgage backed security 5.13 2/15	**	376
M1 Fremont Home Loan Trust	FHLT 04-A	Mortgage backed security 1ML+55 1/34	**	200
M2 Fremont Home Loan Trust	FHLT 04-1 M1	Mortgage backed security 1ML+45 2/34	**	17
	FHLT 04-1	Mortgage backed security 1ML+50 2/34	**	71

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Fremont Home Loan Trust		Mortgage backed security 1ML+55		
	FHLT 04-1 M3	2/34	**	28
Fuji Fin		Corporate Bond 8.625% 4/15/10 144A	**	1,262
GE Capital Credit Card Master	GEMNT 07-1 B	Mortgage backed security 4.95% 3/13	**	952
GE Capital Credit Card Master	GEMNT 2007-3 B	Mortgage backed security 5.49% 6/13	**	1,022
GE Capital Credit Card Master	GECMC 07-C1 XP	Interest Only Strip CSTR 12/49	**	183
GE Commercial Mortgage Security	GMACC 04-C2 A2	Mortgage Backed Security CSTR 8/38	**	1,408
GE Commercial Mortgage Security	GMACC 04-C3 X2	Interest Only Strip CSTR 12/41	**	58
GE Capital Credit Card Master	GMACC 05-C1 X2	Interest Only Strip CSTR 5/43	**	85
GE Commercial Mortgage Security	GMACC 06-C1 XP	Interest Only Strip CSTR 11/45	**	51
GS Mortgage Securities Corporation	GSMS 05-GG4 XP	Interest Only Strip CSTR 7/39	**	308
GSR Mortgage Loan Trust	GSR 05-AR2 2A1	Mortgage backed security CSTR 4/35	**	243
GS Auto Loan Trust	GSALT			
05-1 B		Mortgage backed security 4.62 11/13	**	18
GE Capital Commercial Mortgage	GECMC 04-C2 A2	Mortgage backed security 4.119% 3/40	**	505
GCO Slims Trust	GCOSL	Mortgage backed security NOTE 5.72 3/22	**	434
06-1A			**	
General Electric Capital Corp		Corporate Bond 7.5% 6/15/09	**	1,121
General Electric Capital Corp		Corporate Bond 4.25 9/13/10	**	986
General Electric Capital Corp		Corporate Bond 5.2% 2/01/11	**	1,950
GA ST		Corporate Bond 5.35 3/1/11	**	3,174
Glaxosmith Kline		Corporate Bond 4.85% 5/15/13	**	860
Global Signal Trust	TOWER	Mortgage backed security 5.588% 2/36	**	278
06-1 B			**	
Global Signal Trust	TOWER 06-1 C	Mortgage backed security 5.707% 2/36	**	325

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Greenwich Capital Commercial Funding Corp	GCCFC 05-GG3 XP	Interest Only Strip CSTR 8/42	**	320
Greenwich Capital Commercial Funding Corp	GCCFC 05-GG5	Interest Only Strip CSTR 4/37	**	276
GS Auto Loan Trust	GSALT	Mortgage backed security 5.39% 12/11	**	1,227
GS Auto Loan Trust	GSALT	Mortgage backed security 5.53% 12/14	**	145
Household Automotive Trust	HAT 2006-3 A3	Mortgage backed security 5.38% 9/11	**	960
Host Marriott Pool Trust	HMPT	Mortgage backed security 7.3% 8/15	**	245

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Host Marriott Pool Trust	HMPT			
99-HMTA D		Mortgage backed security 7.97 8/15	**	206
Household Global		Corporate Bond 5.875% 2/1/09 DT	**	307
Household Fin Co		Corporate Bond 4.75% 5/15/09	**	775
Household Automotive Trust	HAT 05-1 A4	Mortgage backed security 4.35% 6/12	**	1,101
Household Automotive Trust	HAT 07-1 A3	Mortgage backed security 5.3% 11/11/11	**	559
Household Automotive Trust	HAT 07-1 A4	Mortgage backed security 5.33% 11/18/13	**	816
Hutchinson Wham		Corporate Bond 5.45 11/24/10 144	**	684
Hyundai Auto Receivables Trust	HART 05-A C	Mortgage backed security 4.22 2/12	**	18
Hyundai Auto Receivables Trust	HART 06-1 B	Mortgage backed security 5.29 11/12	**	41
Hyundai Auto Receivables Trust	HART 06-1 C	Mortgage backed security 5.34 11/12	**	55
Hyundai Auto Receivables Trust	HART 2007-A A3A	Mortgage backed security 5.04 1/12	**	862
Impac Cmb Trust	IMM	Mortgage backed security 1ML+75 4/35	**	4
Impac Cmb Trust	IMM	Mortgage backed security 1ML+77 4/35	**	2
Impac Cmb Trust	IMM	Mortgage backed security 1ML+82 4/35	**	5
JP Morgan Chase		Synthetic GIC – 4.249%	**	153
JP MorganChase and Company		Corporate Bond 6.75 2/1/11 DT	**	258
JP MorganChase and Company		Corporate Bond 4.891/VAR 9/15	**	526
JP MorganChase and Company		Corporate Bond 4.75% 5/1/13	**	1,394
JP Morgan Chase Commercial Mortgage	JPMCC 2001-C1 A2	Mortgage backed security 5.464 10/35	**	269
JP Morgan Chase Commercial Mortgage	JPMCC 03-CB7 X2 CSTR 1/38	Interest Only Strip CSTR 1/37	**	19
JP Morgan Chase Commercial Mortgage	JPMCC 04-CBX X2	Interest Only Strip CSTR 1/37	**	171

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JP Morgan Chase Commercial	Mortgage backed security CSTR		
Mortgage JPMCC 04-C3 A2 4.223% 1/42	10/42	**	805
JP Morgan Chase Commercial			
Mortgage JPMCC 05-LDP4 X2	Interest Only Strip CSTR 10/42	**	229
JP Morgan Chase Commercial			
Mortgage JPMCC 2006-LDP9 A1	Mortgage backed security CSTR 5/47	**	443
JP Morgan Mortgage			
Trust JPMMT 07-A1 1A1	Mortgage backed security CSTR 7/35	**	90
JP Morgan Chase Commercial			
Mortgage JPMCC 07-LDP10 A-1	Mortgage backed security 5.122% 1/49	**	208
Jackson National	Corporate Bond 5.375% 5/8/13 144	**	438

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JP Morgan Auto Receivables				
Trust	JPMRT 2006-A A4	Mortgage backed security 5.14% 12/14	**	789
JP Morgan Auto Receivables				
Trust	JPMART 2006-A B	Mortgage backed security 5.36% 12/14	**	107
Keyspan Corp		Corporate Bond 7.625% 11/15/10	**	357
Korea Development Bank		Corporate Bond 4.75 7/20/09	**	455
Korea Development Bank		Corporate Bond 3.875 3/02/09	**	602
Kraft Foods Inc.		Corporate Bond 4.125% 11/12/09	**	116
Kraft Foods Inc.		Corporate Bond 5.625% 8/11/10	**	1,216
LB-UBS Commercial Mortgage				
Trust	LBUBS 07-C1 A1	Mortgage backed security CSTR 2/15/40	**	182
LB-UBS Commercial Mortgage				
Trust	LBUBS 07-C1 XCP	Interest Only Strip CSTR 2/40 IO	**	82
LB-UBS Commercial Mortgage				
Trust	LBUBS 07-C2 A1	Mortgage backed security 5.226 2/40	**	167
LB-UBS Commercial Mortgage				
Trust	LBUBS 07-C2 XCP	Interest Only Strip CSTR 2/40	**	378
LB-UBS Commercial				
MortgageTrust	LBUBS			
00-C3 A2		Mortgage backed security 7.95 1/10	**	903
LB-UBS Commercial Mortgage				
Trust	LBUBS 00-C5 A2	Mortgage backed security 6.51 12/26	**	439
LB-UBS Commercial Mortgage				
Trust	LBUBS 04-C6 A2	Mortgage backed security 4.187% 8/29	**	688
LB-UBS Commercial Mortgage				
Trust	LBUBS 04-C8 XCP	Interest Only Strip CSTR 12/39	**	40
LB-UBS Commercial Mortgage				
Trust	LBUBS 04-C2 A3	Mortgage backed security 3.973% 3/29	**	651
LB-UBS Commercial Mortgage				
Trust	LBUBS 05-C1 AAB	Mortgage backed security CSTR 2/30	**	439
LB-UBS Commercial Mortgage				
Trust	LBUBS 05-C5 XCP	Interest Only Strip CSTR 9/40	**	399
LB-UBS Commercial Mortgage				
Trust	LBUBS 05-C7 XCP	Interest Only Strip CSTR 11/40	**	178
LB-UBS Commercial Mortgage				
Trust	LBUBS 206-C1A XCP	Interest Only Strip CSTR 2/41	**	278
LB-UBS Commercial Mortgage				
Trust	LBUBS 2006-C3 A1	Mortgage backed security 5.478 3/39	**	243
		Mortgage backed security 5.18% 9/13	**	436

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Long Beach Auto Receivables				
Trust	LBART 2006-B A4			
M&I Auto Loan				
Trust		MILT		
05-1 B		Mortgage backed security 5.02 7/12	**	931
MBNA Capital		Corporate Bond 8.278% 12/01/26	**	460
Merrill Lynch/Countrywide		Mortgage backed security 5.175%		
Commercial	MLCFC 07-6 A1	3/12/51	**	188
Merrill Lynch/Countrywide				
Commercial	MLCFC 2006-4			
XP		Interest Only Strip CSTR 12/49	**	958
Manufacturers & Traders Trust Co		Corporate Bond 3.85/VAR 4/1/13	**	1,202
Ameritech Capital Funding		Corporate Bond 6.25% 5/18/09 EC	**	851

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Marriott Vacation Club Owner Trust	MVCOT 05-2 A	Mortgage backed security 4.6% 10/27	**	230
Marriott Vacation Club Owner Trust	MVCOT 06-2A A	Mortgage backed security 5.417% 10/28	**	185
Marriott Vacation Club Owner Trust	MVCOT 06-2A B	Mortgage backed security 5.467% 10/28	**	35
Marriott Vacation Club Owner Trust	MVCOT 06-2A C	Mortgage backed security 5.766% 10/28	**	14
Master Adjustable Rate Mortgage	MARM 04-11			
1A4		Mortgage backed security 1ML+49 11/34	**	11
Merrill Lynch & Co		Corporate Bond 5.45% 2/05/13	**	155
Merrill Lynch & Co		Corporate Bond 6.15% 4/25/13	**	384
Merrill Lynch & Co		Corporate Bond 4.125% 1/15/09	**	765
Merrill Lynch Mortgage Trust	MLMT			
04-MKB1 A2		Mortgage backed security 4.353% 2/42	**	2,606
Merrill Lynch Mortgage Trust	MLMT			
04-KEY2 A2		Mortgage backed security 4.166% 8/39	**	1,024
Merrill Lynch Mortgage Trust	MLMT 04-BPC1			
XP		Interest Only Strip CSTR 9/41	**	203
Merrill Lynch Mortgage Trust	MLMT			
05-MKB2 XP		Interest Only Strip CSTR 9/42	**	20
Merrill Lynch Mortgage Trust	MLMT 05-MCP1			
XP		Interest Only Strip CSTR 6/43	**	105
Midamerican Energy Co. Merrill Lynch/Countrywide Commercial	MLCFC 06-3 XP	Corporate Bond 5.65% 7/15/12	**	1,136
Monumental Global		Interest Only Strip CSTR 7/46	**	308
MSTDW Global		Corporate Bond 5.5% 4/13 144A	**	209
Morgan Stanley Capital	MSC	Corporate Bond 6.75% 4/15/11	**	379
04-HQ4 X2		Interest Only Strip CSTR 4/40	**	54
Morgan Stanley Capital	MSC	Mortgage backed security 4.05 1/41	**	305

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04-HQ3 A2 Morgan Stanley Capital	MSC			
05-TOP17 X2 Morgan Stanley Capital	MSC	Interest Only Strip CSTR 12/41	**	74
05-IQ9 X2 Morgan Stanley Capital	MSC	Interest Only Strip CSTR 7/56	**	145
05-HQ5 X2 Morgan Stanley Capital	MSC	Interest Only Strip CSTR 1/42	**	43
06-T21 A1 Morgan Stanley Capital	MSC	Mortgage backed security 4.925 10/52	**	535
2006-HQ10 X2 Morgan Stanley Capital	MSC	Interest Only Strip CSTR 11/41	**	283
2007-HQ11 A1 National Aust Bank		Mortgage backed security CSTR 2/44	**	309
National Collegiate Student Loan	NCSLT 2007-2	Corporate Bond 5.35% 6/12/13 144	**	242
AIO		Interest Only Strip 6.7% 7/12	**	331
National Collegiate Student Loan	NCSLT 2006-2			
AIO		Interest Only Strip 6% 8/11	**	32

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Eastman Investment and Employee Stock Ownership Plan
 Schedule H, Line 4 (i) – Schedule of Assets (Held at End of Year)
 December 31, 2008
 (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	
National Collegiate Student Loan	NCSLT 04-2 AIO Interest Only Strip 9.75% 10/14	**	206	
National Collegiate Student Loan	NCSLT 05-1 AIO Interest Only Strip 6.75% 12/09	**	29	
National Collegiate Student Loan	NCSLT 05-2 AIO Interest Only Strip 7.73 3/12	**	57	
National Collegiate Student Loan A-IO	NCSLT 06-1 Interest Only Strip 5.5 4/11	**	135	
National Collegiate Student Loan AIO	NCSLT 2006-3 Interest Only Strip 7.1% 1/12	**	434	
National Collegiate Student Loan	NCSLT 06-4 AIO Interest Only Strip 6.35% 02/12	**	320	
National Collegiate Student Loan	NCSLT 2007-1 AIO Interest Only Strip 7.27% 4/12	**	429	
Navistar Financial Corp Owner A4	NAVOT 05-A Mortgage backed security 4.43 1/14	**	531	
NYLife Global	Corporate Bond 4.65% 5/9/13 144A	**	992	
Nissan Auto Receivables Owner A4	NAROT 05-A Mortgage backed security 3.82 7/10	**	146	
Nordstrom Private Label Credit A	NORD 07-1A Mortgage backed security 4.92 5/13 144A	**	1,913	
Northern Trust Co	Corporate Bond 5.5% 8/15/13	**	183	
Northstar Education Finance A5	NEF 05-1 Mortgage backed security 4.74 10/45	**	564	
Nstar	Corporate Bond 8% 2/15/10	**	328	
Onyx Acceptance Trust	ONYX 05-B A4 Mortgage backed security 4.34% 5/12	**	362	
Oracle Corp	Corporate Bond 5% 1/15/11	**	436	
Orix Corp	Corporate Bond 5.48% 11/22/11	**	110	
Peco Energy	Corporate Bond 5.6% 10/15/13	**	627	
Pacific Gas & Electric	Corporate Bond 6.25% 12/13	**	510	
Petroleum Export	Corporate Bond 4.623% 6/15/10 144A	**	245	
Petroleum Export	Corporate Bond 4.633% 6/15/10 144A	**	146	

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Philip Morris		Corporate Bond 4.875% 5/16/13	**	349
Pinnacle Capital Asset Trust	PCAT 2006-A			
C		Mortgage backed security 5.77% 5/10	**	6
Prime Property Funding		Corporate Bond 5.6% 6/15/11	**	362
Providian Master Note Trust	PMNT 06-B1A			
B1		Mortgage backed security 5.35 3/13	**	1,059
Rabobank Nederland		Synthetic GIC – 4.25%	**	153
Ras Laffan		Mortgage backed security 8.294 3/15/14 144A	**	545
Residential Asset Mortgage Pro	RAMP 04-SL2 A1	Mortgage backed security 6.5 10/16	**	28
GMAC Mortgage Coporation Loan	GMACM 05-AR5 1A1	Mortgage backed security CSTR 9/35	**	140
Rio Tinto Fin		Corporate Bond 5.875% 7/15/13	**	1,174
SBC Comm Gbl		Corporate Bond 6.25 3/15/11	**	422

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SBC Comm Gbl		Corporate Bond 4.125 9/15/09	**	620
SLM Student Loan Trust	SLMA 04-A B	Mortgage backed security 3ML+58 6/33	**	60
SVO VOI Mortgage Corp	SVOVM 05-A A	Mortgage backed security 5.25 2/21	**	249
Solomon Brothers Mortgage Securities	SBM7 00-C3 A2	Mortgage backed security 6.592 12/33	**	818
Solomon Brothers Mortgage Securities	SBM7 00-C1 A2	Mortgage backed securities 7.52 12/09	**	819
Santander Issuances SBA Cmbs Trust		Corporate Bond 5.805/VAR 6/20/16	**	571
05-1A A	SBAC	Mortgage backed security 5.369 11/35	**	277
SBA Cmbs Trust	SBAC	Mortgage backed security 5.565 11/35	**	173
Scotland Intl		Mortgage backed security 7.7% 8/15/10144A	**	1,030
Sempra Energy		Corporate Bond 7.95% 3/01/10	**	721
Sempra Energy		Corporate Bond 4.75 5/15/09	**	253
Simon Property Group LP		Corporate Bond 5.3% 5/30/13	**	391
Starwood Commercial Mortgage STARW 99-C1A B		Mortgage backed security 6.92 2/14	**	186
State Street Bank & Trading Co. Boston		Synthetic GIC – 4.25% Mortgage backed security 7.15 10/34	**	153
Lahman Large Loan LLL 1997-LLI D Structured Asset Securities Co	SASC 04-GEL1 A	Mortgage backed security 1ML+36 2/34	**	376
Structured Asset Securities Co	SASC 04-NP1 A	Mortgage backed security 1ML+40 9/33	**	14
Telecom Italia Capital		Corporate Bond 4% 1/15/10	**	55
Telefonos De Mexico S.A.		Corporate Bond 4.75% 1/27/10	**	1,760
Transcapit		Corporate Bond 5.67% 3/5/14 144A	**	2,398
Triad Auto Receivables Owner Trust	TAROT 2006-C A4	Mortgage backed security 5.31% 5/13	**	699
Triad Auto Receivables Owner Trust	TAROT 06-A A3	Mortgage backed security 4.77% 1/11	**	376
Tyrquoise Card Backed Security	HCARD 07-1 B	Mortgage backed security 5.53% 6/12	**	93
				809
				60

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Uncredito Luxem Fin	Corporate Bond 5.584/VAR 1/13/17	**	634
US Bancorp	Corporate Bond 4.5 7/29/10	**	569
US Bancorp	Corporate Bond 5.3% 4/28/09	**	364
US Treasury Note/Bond	USTN 4.875% 5/31/11	**	7,079
US Treasury Note/Bond	USTN 4.875% 7/31/11	**	27,203
US Treasury Note/Bond	USTN 4.5% 11/30/11	**	18,525
US Treasury Note/Bond	USTN 4.75% 5/31/12	**	50,670
US Treasury Note/Bond	USTN 4.625% 7/31/12	**	41,966
US Treasury Note/Bond	USTN 2.75% 2/28/13	**	527
US Treasury Note/Bond	USTN .625% 4/15/13	**	2,690
US Treasury Note/Bond	USTN 3.5% 5/31/13	**	26,933
US Treasury Note/Bond	USTN 3.125% 9/30/13	**	3,448

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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
US Treasury Note/Bond		USTN 2.75% 10/31/13	**	1,580
US Treasury Note/Bond		USTN 3.75% 11/15/18	**	12,802
US Treasury Note/Bond		USTN 2% 11/30/13	**	27,899
US Treasury Note/Bond		USTN 1.75% 11/15/11	**	2,208
US Treasury Note/Bond		USTN 1.5% 12/31/13	**	4,860
US Treasury Note/Bond		USTN 1.125% 12/15/11	**	12,538
Unitedhealth Group Inc		Corporate Bond 5.125% 11/15/10	**	1,676
Verizon Communications Inc		Corporate Bond 5.25% 4/15/13	**	746
Verizon New York Inc		Corporate Bond 6.875% 4/01/12	**	1,928
Vodafone Group Inc		Corporate Bond 7.75% 2/15/10 DT	**	2,670
Vodafone Group PLC		Corporate Bond 5.5% 6/15/11	**	360
WAMU Mortgage				
Pass-Through	WAMU			
05-AR16 1A3		Mortgage backed security CSTR 12/35	**	400
Wachovia Bank Commercial				
Mortgage	WBCMT 05-C22 A1	Mortgage backed security 4.98 12/44	**	368
Wachovia Bank Commercial				
Mortgage	WBCMT 06-C24 XP	Interest Only Strip CSTR 3/45	**	86
Wachovia Bank Commercial				
Mortgage	WBCMT 03-C6 A2	Mortgage backed security 4.498 8/35	**	374
Wachovia Bank Commercial				
Mortgage	WBCMT 03-C7 A1	Mortgage backed security 4.241 10/35	**	1,177
Wachovia Bank Commercial				
Mortgage	WBCMT 03-C8 A3	Mortgage backed security 4.445% 11/35	**	1,605
Wachovia Bank Commercial				
Mortgage	WBCMT 04-C11 A3	Mortgage backed security 4.719 1/41	**	339
Wachovia Bank Commercial				
Mortgage	WBCMT 04-C14 A2	Mortgage backed security 4.368 8/41	**	1,510
Wachovia Bank Commercial				
Mortgage	WBCMT 05-C18 XP	Interest Only Strip CSTR 4/42	**	84
Wachovia Bank Commercial				
Mortgage	WBCMT 04-C15 XP	Interest Only Strip CSTR 10/41	**	293
Wachovia Auto Loan Owner				
Trust	WALOT 06-1 A-3	Mortgage backed security 5.1 7/11	**	296
Wachovia Auto Loan Owner				
Trust	WALOT 06-1B	Mortgage backed security 5.15% 7/12	**	405
Wachovia Capital		Corporate Bond 7.965 6/1/27 144A	**	117
Wachovia Auto Loan Owner				
Trust	WALOT 06-2 B	Mortgage backed security 5.29% 6/12	**	751

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Wachovia Auto Loan Owner				
Trust	WALOT 06-2 C	Mortgage backed security 5.34% 10/12	**	233
Wachovia Corporation		Corporate Bond 6.15% 3/15/09	**	310
Wachovia Auto Loan Owner				
Trust	WALOT 07-1 B	Mortgage backed security 5.38% 7/20/12	**	918
Wachovia Auto Loan Owner				
Trust	WALOT 07-1 C	Mortgage backed security 5.45% 10/22/12	**	442
Wachovia Bank Commercial				
Mortgage	WBCMT 07-C30 A1	Mortgage Backed security 5.031% 12/43	**	294

Eastman Investment and Employee Stock Ownership Plan
Schedule H, Line 4 (i) – Schedule of Assets (Held at End of Year)
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Wachovia Bank Commercial Mortgage XP	WBCMT 2007-C30	Interest Only Strip CSTR 12/43	**	360
Washington Mutual Master Note B1	WMMNT 2007-B1	Mortgage backed security 4.95% 3/14	**	1,572
Wells Fargo Wells Fargo Mortgage Backed Securities	WFMB 05-AR4 2A2	Corporate Bond 3.98 10/29/10	**	549
Wells Fargo Mortgage Backed Securities	WFMB 05-AR2 2A2	Mortgage backed security CSTR 4/35	**	973
Wells Fargo Mortgage Backed Securities	WFMB 05-AR2 2A2	Mortgage backed security 4.57% 3/35	**	547
Wells Fargo Mortgage Backed Securities 2A2	WFMB 05-AR10	Mortgage backed security CSTR 6/35	**	523
WFS Financial Owner Trust 05-3 A4	WESTO	Mortgage backed security 4.39 5/13	**	537
WFS Financial Owner Trust 05-3 B	WESTO	Mortgage backed security 4.50 5/13	**	312
WFS Financial Owner Trust 05-3 C	WESTO	Mortgage backed security 4.54 5/13	**	378
Sub-total Managed Income Fund				551,135
Self Directed Brokerage Account		9,698 Shares	**	9,697
Total Assets				1,200,763

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

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

SIGNATURES

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

Eastman Investment and Employee
Stock Ownership Plan

Date: June 29, 2009

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

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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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