

EASTMAN CHEMICAL CO
Form 11-K
July 13, 2005

**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
[X] EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the fiscal year ended December 30, 2004
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 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
100 N. Eastman Road
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, 2004 and 2003, 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
July 11, 2005

**Eastman Investment and Employee Stock Ownership Plan
Statements of Net Assets Available for Benefits
December 30, 2004 and 2003
(in thousands)**

| | Participant Directed | 2004 Non- participant Directed | Total | Participant Directed | 2003 Non- participant Directed | Total |
|-------------------------------|---------------------------------|---|--------------|---------------------------------|---|--------------|
| Assets | | | | | | |
| Investments at fair value | \$ 648,995 | \$ 128,394 | \$ 777,389 | \$ 581,835 | \$ 102,796 | \$ 684,631 |
| Investments at contract value | 614,657 | -- | 614,657 | 555,025 | -- | 555,025 |
| Receivables: | | | | | | |
| Employer contributions | 29,682 | 4,381 | 34,063 | 28,226 | 5,927 | 34,153 |
| Other | 1,052 | 1,280 | 2,332 | 2,506 | 1,375 | 3,881 |
| Total assets | 1,294,386 | 134,055 | 1,428,441 | 1,167,592 | 110,098 | 1,277,690 |
| Liabilities | | | | | | |
| Accrued expenses | 12 | 16 | 28 | 15 | 15 | 30 |
| Other liabilities | 384 | 1,054 | 1,438 | 1,177 | 2,561 | 3,738 |
| Total liabilities | 396 | 1,070 | 1,466 | 1,192 | 2,576 | 3,768 |

Net assets
available

for plan benefits \$ 1,293,990 \$ 132,985 \$1,426,975 \$ 1,166,400 \$ 107,522 \$1,273,922

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

Eastman Investment and Employee Stock Ownership Plan
Statements of Changes in Net Assets Available for Benefits
For the Years Ended December 30, 2004 and 2003
(in thousands)

| | Participant Directed | 2004 Non- participant Directed | Total | Participant Directed | 2003 Non- participant Directed | Total |
|---|-------------------------|---|--------------|-------------------------|---|--------------|
| Additions to net assets: | | | | | | |
| Investment income (loss) | | | | | | |
| Interest | \$ 26,537 | \$ -- | \$ 26,537 | \$ 27,505 | \$ -- | \$ 27,505 |
| Dividends | 13,702 | 4,395 | 18,097 | 8,989 | 4,999 | 13,988 |
| Net appreciation in fair value of investments | 72,949 | 43,555 | 116,504 | 99,587 | 6,226 | 105,813 |
| Net investment gain | 113,188 | 47,950 | 161,138 | 136,081 | 11,225 | 147,306 |
| Participant contributions | 98,937 | -- | 98,937 | 79,662 | -- | 79,662 |
| Plan Sponsor contributions | 29,552 | 4,381 | 33,933 | 28,360 | 5,927 | 34,287 |
| Interfund transfers | 20,051 | (20,051) | -- | 14,536 | (14,536) | -- |
| Total additions | 261,728 | 32,280 | 294,008 | 258,639 | 2,616 | 261,255 |
| Deductions from net assets: | | | | | | |
| Distributions to and withdrawals by participants | 133,815 | 6,971 | 140,786 | 60,630 | 2,977 | 63,607 |
| Loan transfers, net | 154 | (154) | - | 9 | (9) | -- |
| Administrative expenses | 169 | -- | 169 | 144 | -- | 144 |
| Total deductions | 134,138 | 6,817 | 140,955 | 60,783 | 2,968 | 63,751 |
| Net increase (decrease) in net assets | 127,590 | 25,463 | 153,053 | 197,856 | (352) | 197,504 |
| Net assets available for plan benefits at beginning of year | 1,166,400 | 107,522 | 1,273,922 | 968,544 | 107,874 | 1,076,418 |
| Net assets available for plan benefits at end of year | \$ 1,293,990 | \$ 132,985 | \$ 1,426,975 | \$ 1,166,400 | \$ 107,522 | \$ 1,273,922 |

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 30, 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, for 2004 and 2003. 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 2004 and 2003 up to certain Internal Revenue Code limitations. In addition, participants may 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, 2004, \$26.8 million in loans were outstanding for terms of 3 to 123 months and interest rates ranging from 5% to 10.50%. At December 30, 2003, \$23.9 million in loans were outstanding for terms from 4 to 179 months and interest rates ranging from 4.75% 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.

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

- 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.
- 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.

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.

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

- 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

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 (CAPSI) 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 CAPSI segment to Apollo, equal to 5% of the compensation paid to each participant for the period January 1, 2004 through July 31, 2004.

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.

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

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 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, 2004 and 2003. Such market values equal the aggregate of the closing prices of the securities held in each fund on December 30, 2004 and 2003 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**

Reclassifications

The Company has reclassified certain 2003 amounts to conform to the 2004 presentation.

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 \$29.7 million and \$28.2 million, and for the non-participant-directed ESOP Fund of \$4.4 million and \$5.9 million at December 30, 2004 and 2003, 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, 2004 and 2003 were approximately \$26.8 million and \$23.9 million, respectively. Interest income earned on loans to participants in 2004 and 2003 was approximately \$1.4 million for each year and is credited directly to the participants' accounts.

5. INVESTMENTS

At December 30, 2004 and 2003, 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 2004 and 2003:

Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

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 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 of Eastman stock for the fund at an average price of \$45.55 per share. During 2003, the Trustee purchased 1,321,600 shares of Eastman stock for the fund at an average price of \$32.61 per share and sold 1,540,077 shares at an average price of \$34.24 per share. Dividends paid from the Eastman Stock Fund totaled \$2.8 million and \$4.1 million in 2004 and 2003, respectively.

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 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 of Eastman stock for the fund at an average price of \$45.43 per share. During 2003, the Trustee purchased 166,200 shares of Eastman stock for the fund at an average price of \$32.00 per share, and sold 358,647 shares at an average price of \$34.12 per share.

At December 30, 2004 and 2003, the following investments represented 5% or greater of ending net assets, (in thousands):

| | 2004 | |
|---------------------------------------|---------------|-------------------|
| | Shares | Fair value |
| Eastman Chemical Company Common Stock | 15,386\$ | 209,454 |
| Fidelity Magellan® Fund | 927 | 96,356 |
| Fidelity Contrafund | 1,672 | 94,996 |
| | 2003 | |
| | Shares | Fair value |
| Eastman Chemical Company Common Stock | 19,250\$ | 178,668 |
| Fidelity Magellan® Fund | 1,066 | 104,006 |
| Fidelity Contrafund | 1,628 | 80,328 |

Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

During 2004 and 2003, the Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in value by \$116.5 million and \$105.8 million, respectively, as follows (in thousands):

| | Net Appreciation (Depreciation) | |
|---|--|-------------|
| | 2004 | 2003 |
| ESOP Fund | \$ 43,579 | \$ 6,226 |
| Eastman Stock Fund | 30,349 | 6,803 |
| Hercules Stock Fund | -- | 181 |
| Fidelity Fund | 2,914 | 9,819 |
| Fidelity Puritan® Fund | 1,208 | 5,870 |
| Fidelity Magellan® Fund | 6,021 | 20,453 |
| Fidelity Contrafund | 11,951 | 17,468 |
| Fidelity Spartan® U.S. Equity Index Portfolio | 3,081 | 7,046 |
| Fidelity International Growth and Income Fund | 2,837 | 3,825 |
| PIMCO Total Return Fund | (125) | (47) |
| Franklin Small Cap Growth Fund | 3,493 | 9,729 |
| Templeton Foreign Fund | 972 | 1,127 |
| Neuberger & Berman Genesis Trust Fund | 4,907 | 6,508 |
| Fidelity Blue Chip Growth Fund | 968 | 3,810 |
| Fidelity Freedom Income Fund | 18 | 47 |
| Fidelity Freedom 2000 Fund | 45 | 129 |
| Fidelity Freedom 2010 Fund | 313 | 683 |
| Fidelity Freedom 2020 Fund | 628 | 1,396 |
| Fidelity Freedom 2030 Fund | 421 | 941 |
| Fidelity Freedom 2040 Fund | 151 | 295 |
| Fidelity Spartan® Extended Market Index Fund | 1,147 | 1,750 |
| Fidelity Spartan® International Index Fund | 520 | 569 |
| WFA Small Cap Val Z | 171 | -- |
| Clipper Fund | 247 | 250 |
| Strong Advisor Small Cap Value Fund | -- | 687 |
| TCW Galileo Select Equities Fund | 356 | 222 |
| Self Directed Brokerage Account | 150 | 28 |
| Other Funds | 182 | (2) |
| Total | \$ 116,504 | \$ 105,813 |

**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 4.22% and 5.02% for 2004 and 2003, respectively. The weighted average crediting interest rate for the fund was 4.02% and 4.56% at December 30, 2004 and 2003, 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 of investments contracts and short-term interest investments held by the fund was \$622.1 million and \$573.9 million at December 30, 2004 and 2003, 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, 2004 and 2003.

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, 2004 and 2003 was as follows:

| (in thousands) | December 30, 2004 | December 30, 2003 |
|---------------------------------|------------------------------|------------------------------|
| Security backed investments: | | |
| Underlying assets at fair value | \$ 622,097 | \$ 573,949 |
| Wrapper contracts | (7,440) | (18,924) |
| Total contract value | \$ 614,657 | \$ 555,025 |

7. OTHER RECEIVABLES

Other receivables in the amount of \$2.3 million and \$3.9 million at December 30, 2004 and 2003, 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 2004 and 2003, \$15.7 million and \$9.5 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 2004 and 2003, 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 2004 and 2003, 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
Schedule H, Line 4 (i) - Schedule of Assets (Held at End of Year)
December 30, 2004
(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 | ** | 81,060 |
| * | Eastman Chemical Company | Common stock, Non Participant directed | 115,034 | 128,394 |
| * | Fidelity Fund | Registered Investment Company | ** | 45,313 |
| * | Fidelity Puritan Fund | Registered Investment Company | ** | 44,821 |
| * | Fidelity Magellan Fund | Registered Investment Company | ** | 96,355 |
| * | Fidelity Contrafund | Registered Investment Company | ** | 94,996 |
| * | Fidelity Spartan U.S. Equity Index Portfolio | Registered Investment Company | ** | 37,271 |
| * | Fidelity International Discovery Fund | Registered Investment Company | ** | 20,238 |
| * | PIMCO Total Return Fund | Registered Investment Company | ** | 20,577 |
| * | Franklin Small Cap Growth | Registered Investment Company | ** | 31,422 |
| * | Templeton Foreign Fund | Registered Investment Company | ** | 7,516 |
| * | Neuberger and Berman Genesis Trust Fund | Registered Investment Company | ** | 45,948 |
| * | Fidelity Blue Chip Growth Fund | Registered Investment Company | ** | 18,208 |
| * | Fidelity Freedom Income Fund | Registered Investment Company | ** | 1,142 |
| * | Fidelity Freedom 2000 Fund | Registered Investment Company | ** | 1,524 |
| * | Fidelity Freedom 2010 Fund | Registered Investment Company | ** | 7,063 |
| * | Fidelity Freedom 2020 Fund | Registered Investment Company | ** | 8,969 |
| * | Fidelity Freedom 2030 Fund | Registered Investment Company | ** | 5,125 |
| * | Fidelity Freedom 2040 Fund | Registered Investment Company | ** | 1,772 |
| * | Fidelity Spartan Extended Market Index Portfolio | Registered Investment Company | ** | 8,984 |
| * | Fidelity Spartan International Index Fund | Registered Investment Company | ** | 4,161 |
| * | Participant Loans | Participant Loan Fund with terms ranging from 3-123 months and rates ranging from 4.75% to 10.5% | ** | 26,807 |
| * | Fidelity Retirement Money Market | Registered Investment Company | ** | 3 |
| * | Clipper Fund | Registered Investment Company | ** | 11,392 |
| * | TCW Galileo Select Equities Fund | Registered Investment Company | ** | 4,802 |
| * | WFA Small Cap Val Z | Registered Investment Company | ** | 21,330 |
| * | Managed Income Fund, consisting of the following: | | ** | |

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| | | | | |
|--|--|----------------------------|--------------------------|------------|
| Fidelity short term cash fund | CASH | 14,947 | | |
| AXA Financial Inc | Corporate bond 7.75% 8/01/10 | 1,119 | | |
| Accredited Mortgage Loan Trust ACCR 03-2 A1 | Mortgage backed security 4.23% 10/33 | 753 | | |
| Accredited Mortgage Loan Trust ACCR 03-3 A1 | Mortgage backed security 4.46% 12/33 | 738 | | |
| Accredited Mortgage Loan Trust ACCR 04-2 A2 | Mortgage backed security 1ML+30 7/34 | 1,053 | | |
| Accredited Mortgage Loan Trust ACCR 04-4 A2D | Mortgage backed security 1ML+35 1/35 | 501 | | |
| Accredited Mortgage Loan Trust ACCR 04-4 M2 | Mortgage backed security 1ML+105 1/35 | 175 | | |
| Accredited Mortgage Loan Trust ACCR 04-4 M3 | Mortgage backed security 1ML+125 1/35 | 75 | | |
| ACE Securities Corp ACE 02-HE2 M1 | Mortgage backed security 1ML+85 8/32 | 151 | | |
| 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 | | |
| (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 | |
| ACE Securities Corp ACE 03-NC1 M1 | Mortgage backed security 1ML+78 7/33 M | | 172 | |
| ACE Securities Corp ACE 03-HE1 M1 | Mortgage backed security 1ML+65 11/33 | | 201 | |
| ACE Securities Corp ACE 03-HE1 M2 | Mortgage backed security 1ML+170 11/33 | | 128 | |
| ACE Securities Corp ACE 04-FM1 M1 | Mortgage backed security 1ML+60 9/33 | | 165 | |
| ACE Securities Corp ACE 04-OP1 M1 | Mortgage backed security 1ML+52 4/34 | | 446 | |
| ACE Securities Corp ACE 04-OP1 M2 | Mortgage backed security 1ML+105 4/34 | | 632 | |
| ACE Securities Corp ACE 02-HE1 M1 | Mortgage backed security 1ML+65 6/32 | | 236 | |
| Adjustable Rate Mortgage Trust ARMT 04-1 9A2 | Mortgage backed security 1ML+40 1/34 | | 757 | |
| Adjustable Rate Mortgage Trust ARMT 04-4 5A2 | Mortgage backed security 1ML+40 3/35 | | 582 | |
| Vodafone Americas Asia Inc | Corporate bond 6.65% 5/01/08 | | 220 | |
| Alabama Power Co | Corporate bond 3.5% 11/15/07 | | 565 | |
| Alliance Capital Management LP | Corporate bond 5.625% 8/15/06 | | 2,795 | |
| American General Finance Corp | Corporate bond 2.75% 6/15/08 | | 505 | |
| American General Finance Corp | Corporate bond 4.625% 5/15/09 | | 1,155 | |
| American General Finance Corp | Corporate bond 3.875% 10/1/09 | | 853 | |
| American Honda Finance Corp | | | 1,519 | |

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|--|--|-----|
| | Corporate bond 4.5% 5/26/09 144A | |
| AmeriCredit Automobile Receivables Trust AMCAR 01-B A4 | Asset backed security 5.37% 6/08 | 70 |
| AmeriCredit Automobile Receivables Trust AMCAR 02-EM A4A | Asset backed security 3.32% 6/09 | 403 |
| AmeriCredit Automobile Receivables Trust AMCAR 03-CF A4 | Asset backed security 3.48% 5/10 | 852 |
| AmeriCredit Automobile Receivables Trust AMCAR 04-BM A3 | Asset backed security 2.07% 8/08 | 546 |
| AmeriCredit Automobile Receivables Trust AMCAR 04-1 A3 | Asset backed security 3.22% 7/08 | 440 |
| AmeriCredit Automobile Receivables Trust AMCAR 04-1 B | Asset backed security 3.7% 1/09 | 75 |
| AmeriCredit Automobile Receivables Trust AMCAR 04-1 C | Asset backed security 4.22% 7/09 | 81 |
| AmeriCredit Automobile Receivables Trust AMCAR 04-CA A4 | Asset backed security 3.61% 5/11 | 300 |
| AmeriCredit Automobile Receivables Trust AMCAR 04-DF A3 | Asset backed security 2.98% 7/09 | 580 |
| AmeriCredit Automobile Receivables Trust AMCAR 04-DF A4 | Asset backed security 3.43% 7/11 | 774 |
| Ameriquest Mortgage Securities Inc AMSI 02-AR1 M2 | Mortgage backed security 1ML+130 9/32 | 186 |
| Ameriquest Mortgage Securities Inc AMSI 02-4 M1 | Mortgage backed security 1ML+100 2/33 | 247 |
| Ameriquest Mortgage Securities Inc AMSI 03-3 M1 | Mortgage backed security 1ML+80 3/33 | 176 |
| Ameriquest Mortgage Securities Inc AMSI 03-6 M1 | Mortgage backed security 1ML+76 8/33 | 781 |
| Ameriquest Mortgage Securities Inc AMSI 03-AR2 M1 | Mortgage backed security 1ML+85 5/33 | 156 |
| Ameriquest Mortgage Securities Inc AMSI 03-7 M1 | Mortgage backed security 1ML+85 8/33 | 298 |
| Ameriquest Mortgage Securities Inc AMSI 04-R2 M1 | Mortgage backed security 1ML+43 4/34 | 125 |
| Ameriquest Mortgage Securities Inc AMSI 04-R2 M2 | Mortgage backed security 1ML+48 4/34 | 100 |
| Argent Securities Inc ARSI 03-W3 AV1B | Mortgage backed security 1ML+45 9/33 | 87 |
| Argent Securities Inc ARSI 03-W3 AV2 | Mortgage backed security 1ML+40 9/33 | 82 |
| Argent Securities Inc ARSI 04-W5 M1 | Mortgage backed security 1ML+60 4/34 | 401 |

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| (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 | |
| Argent Securities Inc ARSI 04-W7 M1 | Mortgage backed security 1ML+55 5/34 | | | 415 |
| Argent Securities Inc ARSI 04-W7 M2 | Mortgage backed security 1ML+60 5/34 | | | 335 |
| Asset Backed Securities Corp Home Equity ABSHE 02-HE2 M2 | Mortgage backed security 1ML+113 8/32 | | | 101 |
| Asset Backed Securities Corp Home Equity ABSHE 02-HE3 2A | Mortgage backed security 1ML+40 10/32 | | | 19 |
| Asset Backed Securities Corp Home Equity ABSHE 03-HE3 A2 | Mortgage backed security 1ML+35 6/33 | | | 75 |
| Asset Backed Securities Corp Home Equity ABSHE 03-HE3 M1 | Mortgage backed security 1ML+83 6/33 | | | 263 |
| Asset Backed Securities Corp Home Equity ABSHE 03-HE4 M2 | Mortgage backed security 1ML+200 8/33 | | | 639 |
| Asset Backed Securities Corp Home Equity ABSHE 03-HE5 A2B | Mortgage backed security 4 8/33 | | | 182 |
| Asset Backed Securities Corp Home Equity ABSHE 03-HE6 M1 | Mortgage backed security 1ML+65 11/33 | | | 378 |
| Asset Backed Securities Corp Home Equity ABSHE 03-HE7 A3 | Mortgage backed security 1ML+36 12/33 | | | 514 |
| Asset Backed Securities Corp Home Equity ABSHE 04-HE3 M1 | Mortgage backed security 1ML+54 6/34 | | | 150 |
| Asset Backed Securities Corp Home Equity ABSHE 04-HE3 M2 | Mortgage backed security 1ML+112 6/34 | | | 325 |
| Asset Backed Securities Corp Home Equity ABSHE 04-HE6 A2 | Mortgage backed security 1ML+36 6/34 | | | 984 |
| Asset Backed Funding Certificates ABFC 04-HE1 M2 | Mortgage backed security 1ML+115 1/34 Corporate bond 6.875% 11/15/08 | | | 235 |
| Associates Corp Of N. America | Corporate bond 6.25% 11/01/08 | | | 133 |
| Associates Corp Of N. America | Asset backed security 2.67% 3/08 | | | 858 |
| BMW Vehicle Owner Trust BMWOT 04-A A3 | | | | 1,018 |
| Banc of America Commercial Mortgage Inc BACM 04-6 XP | Interest only strip CSTR 12/42 | | | 206 |
| Banc of America Commercial Mortgage Inc BACM 04-2 A3 | Mortgage backed security 4.05% 11/38 | | | 2,206 |
| Banc of America Commercial Mortgage Inc BACM 04-4 A3 | Mortgage backed security 4.128% 7/42 | | | 686 |
| Banc of America Commercial Mortgage Inc BACM 04-5 XP | Interest only strip CSTR 11/41 Corporate bond 7.8% 2/15/10 | | | 298 |
| Bank of America Corp | GLBL Corporate bond 7.4% 1/15/11 | | | 274 |
| Bank of America Corp | DT | | | 1,911 |
| Bank of New York Co Inc/The | | | | 610 |

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|--|--|---|--------------------------|------------|
| | | Corporate bond 4.25%/3ML 9/4/12 | | |
| | | Corporate bond 3.4/3ML+148 3/15/13 | | 983 |
| Bank of New York Co Inc/The | | | | |
| Bank One Corp | | Corporate bond 6% 8/01/08 DT | | 202 |
| Bank One NA/Chicago IL | | Corporate bond 3.7% 1/15/08 | | 752 |
| Bank One Issuance Trust BOIT 02-B1 B1 | | Mortgage backed security 1ML+38 12/09 | | 573 |
| Bank One Issuance Trust BOIT 04-B2 B2 | | Mortgage backed security 4.37% 4/12 | | 1,405 |
| Bank One Issuance Trust BOIT 04-A6 | | Mortgage backed security 3.94% 4/16/12 | | 1,205 |
| BankAmerica Corp/Old | | Corporate bond 6.25% 4/01/08 | | 256 |
| Bayview Financial Acquisition Trust BAYV 04-C A1 | | Mortgage backed security 1ML+42 5/44 | | 1,127 |
| Bayview Financial Acquisition Trust BAYV 04-A A | | Mortgage backed security 1ML+45 2/44 | | 761 |
| Bayview Financial Acquisition Trust BAYV 03-F A | | Mortgage backed security 1ML+50 9/43 | | 1,000 |
| Bayview Commercial Asset Trust BAYC 04-2 A1 | | Mortgage backed security 1ML+43 8/34 | | 698 |
| Bayview Commercial Asset Trust BAYC 04-2 M1 | | Mortgage backed security 1ML+58 8/34 | | 223 |
| Bayview Commercial Asset Trust BAYC 04-3 M1 | | Mortgage backed security 1ML+50 1/35 | | 150 |
| (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 | |
| Bayview Commercial Asset Trust BAYC 04-3 M2 | Mortgage backed security 1ML+100 1/35 | | 100 | |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-ESA A2 | Mortgage backed security 1ML+34 5/16 | | 667 | |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-ESA B | Mortgage backed security 4.888% 5/16 | | 353 | |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-ESA C | Mortgage backed security 4.937% 5/16 | | 399 | |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-ESA D | Mortgage backed security 4.986% 5/16 | | 143 | |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-ESA E | Mortgage backed security 5.064% 5/16 | | 450 | |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-ESA F | Mortgage backed security 5.182% 5/16 | | 107 | |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-PWR5 A2 | Mortgage backed security 4.254% 7/42 | | 648 | |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-PWR5 X2 | Interest only strip CSTR 7/42 | | 254 | |
| Bear Stearns Commercial Mortgage Securities BSCMS 04-T16 A3 | Mortgage backed security 4.03% 2/46 | | 1,552 | |
| | Interest only strip CSTR 11/41 | | 159 | |

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|------------|--|--|------------------------|----------------------|
| | Bear Stearns Commercial Mortgage Securities BSCMS 04-PWR6 X2 | | | |
| | Bear Stearns Commercial Mortgage Securities BSCMS 03-PWR2 A3 | Mortgage backed security 4.83% 5/39 | | 436 |
| | Bear Stearns Asset Backed Securities Inc BSABS 04-HE8 A | Mortgage backed security 1ML+38 9/34 | | 922 |
| | Bear Stearns Asset Backed Securities Inc BSABS 04-BO1 M3 | Mortgage backed security 1ML+105 9/34 | | 262 |
| | Bear Stearns Asset Backed Securities Inc BSABS 04-BO1 M4 | Mortgage backed security 1ML+120 9/34 | | 222 |
| | Bear Stearns Asset Backed Securities Inc BSABS 04-BO1 M5 | Mortgage backed security 1ML+140 9/34 | | 212 |
| | Bear Stearns Cos Inc/The | Corporate bond 4% 1/31/08 | | 615 |
| | Bear Stearns Cos Inc/The | Corporate bond 3.25% 3/25/09 | | 882 |
| | | Corporate bond 4.2% 9/15/09 | | |
| | BellSouth Corp | DT | | 878 |
| | | Corporate bond 7.875% | | |
| | British Telecommunications PLC | 12/15/05 DT | | 765 |
| | | Corporate bond 8.12% 5/8.375 | | |
| | British Telecommunications PLC | 12/10 | | 2,287 |
| | CDC Mortgage Capital Trust CDCMC 02-HE3 M1 | Mortgage backed security 1ML+110 3/33 | | 210 |
| | CDC Mortgage Capital Trust CDCMC 03-HE1 M1 | Mortgage backed security 1ML+90 8/33 | | 232 |
| | CDC Mortgage Capital Trust CDCMC 03-HE3 M1 | Mortgage backed security 1ML+70 11/33 | | 247 |
| | CDC Mortgage Capital Trust CDCMC 03-HE3 M2 | Mortgage backed security 1ML+175 11/33 | | 189 |
| | CDC Mortgage Capital Trust CDC 04-HE2 M2 | Mortgage backed security 1ML+120 7/34 | | 235 |
| | | Corporate bond 3.875% | | |
| | CIT Group Inc CIT GROUP INC | 11/03/08 | | 1,007 |
| | CIT Group Inc CIT GROUP INC | Corporate bond 3.375% 4/01/09 | | 636 |
| | CIT Group Inc CIT GROUP INC | Corporate bond 3.65% 11/23/07 | | 1,054 |
| | Countrywide Asset-Backed Certificates CWL 04-2 M1 | Mortgage backed security 1ML+50 5/34 | | 525 |
| | 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 | | 425 |
| | Countrywide Asset-Backed Certificates CWL 04-4 M1 | Mortgage backed security 1ML+48 7/34 | | 376 |
| (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 |
| | Countrywide Asset-Backed Certificates CWL 04-4 M2 | Mortgage backed security 1ML+53 6/34 | | 441 |
| | | | | 187 |

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|---|--|-----------|
| Countrywide Asset-Backed Certificates CWL 00-2 MV2 | Mortgage backed security 1ML+90 6/31 | |
| Countrywide Asset-Backed Certificates CWL 03-SD3 A1 | Mortgage backed security 1ML+42 12/32 | 183 |
| Countrywide Asset-Backed Certificates CWL 02-5 MV1 | Mortgage backed security 1ML+100 3/33 | 66 |
| Countrywide Home Loan Mortgage Pass CWHL 02-25 2A1 Through Trust | Mortgage backed security 5.5% 11/17 | 416 |
| Capital Auto Receivables Asset Trust CARAT 04-2 A2 | Asset backed security 3.35% 2/08 | 888 |
| Capital One Master Trust COMT 01-3A A | Asset backed security 5.45% 3/09 | 1,295 |
| Capital One Auto Finance Trust COAFT 01-B A4 | Asset backed security 4.88% 9/08 | 553 |
| Capital One Auto Finance Trust COAFT 04-A A3 | Asset backed security 3.07% 7/08 | 1,080 |
| Capital One Auto Finance Trust COAFT 04-B A3 | Asset backed security 2.96% 4/09 | 720 |
| Capital One Multi-Asset Execution Trust COMET 02-B1 B1 | Asset backed security 1ML+68 7/08 | 1,300 |
| Capital One Multi-Asset Execution Trust COMET 03-2B | Asset backed security 3.5% 2/09 | 686 |
| Capital One Multi-Asset Execution Trust COMET 03-B4 B4 | Asset backed security 1ML 7/11 | 688 |
| Capital One Multi-Asset Execution Trust COMET 04-B5 B5 | Asset backed security 3.7% 5/10 | 1,611 |
| Capital One Multi-Asset Execution Trust COMET 04-B6 B6 | Asset backed security 4.155% 7/12 | 1,155 |
| Capital One Prime Auto Receivables Trust COPAR 04-2 A3 | Asset backed security 3.06% 3/08 | 619 |
| Capital One Prime Auto Receivables Trust COPAR 04-3 A3 | Asset backed security 3.39% 1/09 | 876 |
| 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 | 511 |
| Chase Credit Card Master Trust CHAMT 03-6 B | Asset backed security 1ML+35 2/11 | 1,009 |
| Chase Credit Card Master Trust CHAMT 04-1 B | Asset backed security 1ML+20 5/09 | 436 |
| JPMorgan Chase & Co Chile Government International Bond CHILE REP GLB | Corporate bond 6.375% 4/01/08 Corporate bond 6.875% 4/28/09 DT | 170 45 |
| Chile Government International Bond CHILE REP GLB | Corporate bond 5.625% 7/23/07 DT | 1,088 |
| Chubb Corp CHUBB CORP | Corporate bond 3.95% 4/01/08 | 167 |

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|------------|--|--|------------------------|
| | Citigroup Inc CITIGROUP | Corporate bond 5.75% 5/10/06 | 203 |
| | Citibank Credit Card Issuance Trust | Asset backed security 5.65% | |
| | CCCIT 01-A6 A6 | 6/08 | 575 |
| | Citibank Credit Card Issuance Trust | | |
| | CCCIT 03-A6 A6 | Asset backed security 2.9% 5/10 | 474 |
| | Citibank Credit Card Issuance Trust | | |
| | CCCIT 04-A4 | Asset backed security 3.2% 8/09 | 1,687 |
| | Citigroup Commercial Mortgage | | |
| | Trust CGCMT 04-C2 XP | Interest only strip CSTR 10/41 | 256 |
| (a) | (b) | (c) | (d) |
| | Identity of issue, borrower, lessor, or similar party | Description of investment, including maturity date, rate of interest, collateral, par or maturity value | Historical cost |
| | | | (e) |
| | | | Current value |
| | Commercial Mortgage Pass | | |
| | Through Certificates COMM 99-1 | Mortgage backed security | |
| | A2 | 6.455% 5/32 | 1,194 |
| | Commercial Mortgage Pass | | |
| | Through Certificates COMM | | |
| | 04-CNL X1 | Interest only strip CSTR 9/14 | 311 |
| | Commercial Mortgage Pass | | |
| | Through Certificates COMM | Mortgage backed security | |
| | 04-CNL B | 1ML+40 9/14 | 200 |
| | Commercial Mortgage Pass | | |
| | Through Certificates COMM | Mortgage backed security | |
| | 04-CNL D | 1ML+64 9/14 | 60 |
| | Commercial Mortgage Pass | | |
| | Through Certificates COMM | Mortgage backed security | |
| | 04-CNL E | 1ML+70 9/14 | 85 |
| | Commercial Mortgage Pass | | |
| | Through Certificates COMM | Mortgage backed security | |
| | 04-CNL F | 1ML+80 9/14 | 65 |
| | Commercial Mortgage Pass | | |
| | Through Certificates COMM | Mortgage backed security | |
| | 04-HTL1 B | 1ML+45 7/16 | 60 |
| | Commercial Mortgage Pass | | |
| | Through Certificates security | | |
| | COMM 04-HTL1 D | Mortgage backed 1ML+55 7/16 | 140 |
| | Commercial Mortgage Pass | | |
| | Through Certificates COMM | Mortgage backed security | |
| | 04-HTL1 E | 1ML+75 7/16 | 100 |
| | Commercial Mortgage Pass | | |
| | Through Certificates COMM | Mortgage backed security | |
| | 04-HTL1 F | 1ML+80 7/16 | 105 |
| | Commercial Mortgage Pass | | |
| | Through Certificates COMM | | |
| | 04-LNB4 XP | Interest only strip CSTR 10/37 | 472 |
| | Computer Sciences Corp | Corporate bond 6.75% 6/15/06 | 1,260 |
| | Computer Sciences Corp | Corporate bond 7.375% 6/15/11 | 542 |
| | Computer Sciences Corp | Corporate bond 3.5% 4/15/08 | 1,008 |

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|------------|--|--|------------------------|----------------------|
| | | Corporate bond 5.375% | | |
| | Consolidated Natural Gas Co | 11/01/06 | | 729 |
| | Costco Wholesale Corp | Corporate bond 5.5% 3/15/07 | | 485 |
| | Countrywide Home Loans Inc | Corporate bond 4% 3/22/11 | | 393 |
| | Countrywide Home Loans Inc | Corporate bond 4.125% 9/15/09 | | 1,338 |
| | CS First Boston Mortgage Securities Corp CSFB 97-C2 A2 | Mortgage backed security 6.52% 1/35 | | 88 |
| | CS First Boston Mortgage Securities Corp CSFB 97-C2 A3 | Mortgage backed security 6.55% 1/35 | | 670 |
| | CS First Boston Mortgage Securities Corp CFSB 99-C1 A2 | Mortgage backed security 7.29% 9/41 | | 3,085 |
| | CS First Boston Mortgage Securities Corp CSFB 02-HE16 M2 | Mortgage backed security 1ML+150 10/32 | | 102 |
| | Home Equity Asset Trust HEAT 03-3 A2 | Mortgage backed security 1ML+36 8/33 | | 232 |
| | Home Equity Asset Trust HEAT 02-4 M2 | Mortgage backed security 1ML+205 3/33 | | 178 |
| | Home Equity Asset Trust HEAT 03-4 M1 | Mortgage backed security 1ML+80 10/33 | | 379 |
| | CS First Boston Mortgage Securities Corp CSFB 03-C5 A3 | Mortgage backed security 4.429% 12/36 | | 980 |
| | Home Equity Asset Trust HEAT 03-5 M1 | Mortgage backed security 1ML+70 12/33 | | 353 |
| | Home Equity Asset Trust HEAT 03-5 M2 | Mortgage backed security 1ML+173 12/33 | | 154 |
| | CS First Boston Mortgage Securities Corp CSFB 03-C4 A3 | Mortgage backed security Interest only strip CSTR 8/36 | | 580 |
| | CS First Boston Mortgage Securities Corp CSFB 04-C1 A3 | Mortgage backed security 4.321% 1/37 | | 523 |
| | CS First Boston Mortgage Securities Corp CSFB 04-AR3 6A2 | Mortgage backed security 1ML+37 4/34 | | 381 |
| | CS First Boston Mortgage Securities Corp CSFB 04-AR4 5A2 | Mortgage backed security 1ML+37 5/34 | | 336 |
| | CS First Boston Mortgage Securities Corp CSFB 04-AR5 11A2 | Mortgage backed security 1ML+37 6/34 | | 481 |
| | CS First Boston Mortgage Securities Corp CSFB 04-C4 ASP | Mortgage backed security Interest only strip CSTR 10/39 | | 264 |
| | CS First Boston Mortgage Securities Corp CSFB 04-AR6 9A2 | Mortgage backed security 1ML+37 10/34 | | 619 |
| (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 |
| | CS First Boston Mortgage Securities Corp CSFB 04-AR7 6A2 | Mortgage backed security 1ML+38 8/34 | | 998 |
| | CS First Boston Mortgage Securities Corp CSFB 04-HC1 A2 | Mortgage backed security 1ML+50 12/21 | | 170 |
| | CS First Boston Mortgage Securities Corp CSFB 04-FRE1 A2 | Mortgage backed security 1ML+35 4/34 | | 637 |
| | | | | 441 |

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|-------------------------------------|---------------------------------|-------|
| CS First Boston Mortgage Securities | Mortgage backed security | |
| Corp CSFB 04-HC1 B | 1ML+75 12/21 | |
| CS First Boston Mortgage Securities | Mortgage backed security | |
| Corp CSFB 04-AR8 8A2 | 1ML+38 9/34 | 792 |
| DLJ Commercial Mortgage Corp | Mortgage backed security 6.41% | |
| DLJCM 98-CF1 A1B | 2/31 | 1,180 |
| DLJ Commercial Mortgage Corp | Mortgage backed security 6.41% | |
| DLJCM 98-CG1 A1B | 6/31 | 1,735 |
| DLJ Commercial Mortgage Corp | Mortgage backed security 6.46% | |
| DLJCM 99-CG1 A1B | 3/32 | 1,078 |
| DaimlerChrysler NA Holding Corp | Corporate bond 6.4% 5/15/06 | 996 |
| DaimlerChrysler NA Holding Corp | Corporate bond 4.75% 1/15/08 | 672 |
| | Corporate bond 9/10/07 SER D | |
| DaimlerChrysler NA Holding Corp | #36 | 631 |
| Daimler Chrysler Auto Trust DCAT | Mortgage backed security 2.98% | |
| 04-C A3 | 8/08 | 1,472 |
| | Corporate bond 3.9% 1/15/08 | |
| John Deere Capital Corp | DT | 819 |
| John Deere Capital Corp | Corporate bond 3.375% 10/1/07 | 1,108 |
| Deutsche Telekom International | Corporate bond 8.25% | |
| Finance BV | 6/15/05DT | 473 |
| Deutsche Telekom International | | |
| Finance BV | Corporate bond 8% 6/15/10 | 1,474 |
| Discover Card Master Trust I | Mortgage backed security 5.75% | |
| DCMT 01-6 A | 12/08 | 4,556 |
| RR Donnelley & Sons Co | Corporate bond 3.75% 4/1/09 | 1,557 |
| Export Development Canada | Corporate bond 4% 8/01/07 | 1,066 |
| FPL Group Capital Inc | Corporate bond 3.25% 4/11/06 | 332 |
| | FHLMC 15YR 5.00% 5/14 | |
| Freddie Mac Gold Pool | #E76434 | 32 |
| | FHLMC 15YR 5.00% 6/14 | |
| Freddie Mac Gold Pool | #E77224 | 142 |
| Freddie Mac | FHLMC 3.875% 1/12/09-1/06 | 1,763 |
| | Government bond 3.25% | |
| Federal Farm Credit Bank | 6/15/07 | 5,207 |
| | Mortgage backed security 6.5% | |
| Freddie Mac FHR 2435 GD | 2/30 | 202 |
| | Mortgage backed security 6% | |
| Freddie Mac FHR 1608 J | 6/22 | 1,643 |
| | Mortgage backed security 6.75% | |
| Freddie Mac FHR 1644 IA | 8/23 | 319 |
| | Mortgage backed security 6.25% | |
| Freddie Mac FHR 1650 H | 10/22 | 26 |
| | Mortgage backed security 6.25% | |
| Freddie Mac FHR 1680 PH | 1/23 | 204 |
| | Mortgage backed security 6.5% | |
| Freddie Mac FHR 1703 GA | 10/08 | 155 |
| Freddie Mac FHR 1708 D | Mortgage backed security 6 7/08 | 277 |
| Freddie Mac FHR 1697 PJ | Mortgage backed security 6 7/08 | 416 |
| | Mortgage backed security 6.5% | |
| Freddie Mac FHR 2292 QT | 5/30 | 139 |

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|-------------------------------|-------------------------------|--------|
| | Government bonds 2.875% | |
| Federal Home Loan Bank System | 8/15/06 | 30,785 |
| Federal Home Loan Bank System | Government bonds 2.5% 4/11/06 | 6,411 |
| | FHLMC GLBL 2.875% | |
| Freddie Mac | 12/15/06 | 28,925 |
| Freddie Mac | FHLMC 2.375% 2/15/07 | 27,386 |
| Freddie Mac | FHLMC 2.875% 5/15/07 | 18,541 |
| | Mortgage backed security 6.3% | |
| Fannie Mae FNR 93-225 OH | 10/22 | 78 |
| | Mortgage backed security | |
| Fannie Mae FNR 94-36 H | 6.375% 1/23 | 211 |
| | Mortgage backed security 5.5% | |
| Fannie Mae FNR 94-50 PH | 1/23 | 248 |
| Fannie Mae | FNMA 3.25% 8/15/08 | 24,160 |
| Fannie Mae | FNMA 2.375% 2/15/07 | 29,415 |
| Fannie Mae | FNMA 2.15% 4/13/06-05 | 9,725 |
| Fannie Mae | FNMA 2.5% 6/15/06 | 13,951 |
| Fannie Mae | FNMA 3.125% 7/15/06 | 3,290 |
| Fannie Mae | FNMA 3.125% 12/15/07 | 18,268 |
| | FNMA 15YR 7.00% 8/08 | |
| Fannie Mae Pool | #252068 | 106 |
| | FNMA 15YR 7.00% 1/13 | |
| Fannie Mae Pool | #251428 | 17 |

| (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 | |
| Fannie Mae Pool | FNMA 15YR 6.50% 4/09 #277813 | | 145 | |
| Fannie Mae Pool | FNMA 15YR 7.00% 7/10 #303403 | | 453 | |
| Fannie Mae Pool | FNMA 15YR 6.00% 3/11 #303779 | | 58 | |
| Fannie Mae Pool | FNMA 15YR 7.00% 12/09 #303836 | | 2 | |
| Fannie Mae Pool | FNMA 15YR 6.50% 11/13 #323755 | | 668 | |
| Fannie Mae Pool | FNMA 15YR 7.00% 8/14 #323877 | | 138 | |
| Fannie Mae Pool | FNMA 15YR 7.00% 5/11 #346783 | | 22 | |
| Fannie Mae Pool | FNMA 15YR 6.00% 3/14 #487614 | | 57 | |
| Fannie Mae Pool | FNMA 15YR 6.50% 9/14 #514373 | | 5 | |
| Fannie Mae Pool | FNMA 15YR 6.00% 11/14 #520642 | | 36 | |
| Fannie Mae Pool | FNMA 15YR 7.00% 11/14 #522277 | | 43 | |

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|---|---|-------|
| Fannie Mae Pool | FNMA 15YR 6.50% 10/13 #535234 | 1,279 |
| Fannie Mae Pool | FNMA 15YR 7.00% 3/08 #535395 | 848 |
| Fannie Mae Pool | FNMA 15YR 7.00% 6/16 #545122 | 42 |
| Fannie Mae Pool | FNMA 15YR 7.00% 2/16 #569915 | 116 |
| Fannie Mae Pool | FNMA 15YR 6.00% 10/16 #589129 | 66 |
| Fannie Mae Pool | FNMA 15YR 7.00% 8/16 #599602 | 142 |
| Fannie Mae Pool | FNMA 15YR 7.00% 10/19 #TBA | 0 |
| Fannie Mae Pool | FNMA 15YR 6.50% 1/20 #TBA | 734 |
| Fannie Mae Pool | FNMA 15YR 7.00% 4/17 #636135 | 489 |
| Fannie Mae Pool | FNMA 15YR 6.50% 4/17 #637244 | 386 |
| Fannie Mae Pool | FNMA 15YR 6.00% 11/17 #671380 | 338 |
| Fannie Mae Pool | FNMA 15YR 6.00% 11/17 #672789 | 78 |
| Fannie Mae Pool | FNMA 15YR 6.00% 12/17 #673965 | 172 |
| Fannie Mae FNR 02-18 PE | Mortgage backed security 5.5% 6/16 | 2,052 |
| Fannie Mae FNR 02-52 PA | Mortgage backed security 6% 4/31 | 120 |
| Freddie Mac FHR 2473 JB | Mortgage backed security 5.5% 2/29 | 95 |
| Freddie Mac FHR 2498 PD | Mortgage backed security 5.5% 2/16 | 433 |
| Fannie Mae Pool | FNMA 15YR 6.00% 2/18 #684153 | 36 |
| Fannie Mae Pool | FNMA 15YR 7.00% 2/18 #693327 | 507 |
| Fannie Mae Pool | FNMA ARM 3.878% 6/33 #723633 | 549 |
| Fannie Mae Pool | FNMA ARM 3.975% 11/34 #781809 | 232 |
| Fannie Mae Pool | FNMA ARM 4.025% 1/35 #781871 | 227 |
| Fieldstone Mortgage Investment Corp FMIC 03-1 M1 | Mortgage backed security 1ML+68 11/33 | 101 |
| Fieldstone Mortgage Investment Corp FMIC 03-1 M2 | Mortgage backed security 1ML+175 11/33 | 103 |
| Fifth Third Auto Trust FITAT 04-A A3 | Mortgage backed security 3.19% 2/08 | 554 |
| First Franklin Mtg Loan Asset Backed Certificates FFML 04-FF2 | Mortgage backed security 1ML+55 3/34 | 50 |

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|--|--|------------------------|----------------------|------------|
| M3 | | | | |
| First Franklin Mtg Loan Asset | | | | |
| Backed Certificates FFML 04-FF2 | Mortgage backed security | | | |
| M4 | 1ML+90 3/34 | | | 25 |
| First Franklin Mtg Loan Asset | | | | |
| Backed Certificates FFML 04-FF2 | Mortgage backed security | | | |
| M6 | 1ML+125 3/34 | | | 50 |
| First Union Commercial Mortgage | Mortgage backed security 6.65% | | | |
| Securities Inc FULB 97-C2 A3 | 11/29 | | | 537 |
| Wachovia Bank NA/Charlotte | Corporate bond 7.8% 8/18/10 | | | 433 |
| FleetBoston Financial Corp | Corporate bond 3.85% 2/15/08 | | | 407 |
| Ford Credit Auto Owner Trust | Mortgage backed security 2.85% | | | |
| FORDO 03-B B1 | 10/07 | | | 623 |
| | Corporate bond 6.875% 2/1/06 | | | |
| Ford Motor Credit Co | DT | | | 534 |
| | Corporate bond 6.5% 1/25/07 | | | |
| Ford Motor Credit Co | DT | | | 3,155 |
| Franklin Resources Inc | Corporate bond 3.7% 4/15/08 | | | 1,537 |
| Fremont Home Loan Trust FHLT | Mortgage backed security | | | |
| 04-A M1 | 1ML+55 1/34 | | | 450 |
| Fremont Home Loan Trust FHLT | Mortgage backed security | | | |
| 04-A M2 | 1ML+115 1/34 | | | 525 |
| Fremont Home Loan Trust FHLT | Mortgage backed security | | | |
| 04-1 M1 | 1ML+45 2/34 | | | 50 |
| Fremont Home Loan Trust FHLT | Mortgage backed security | | | |
| 04-1 M2 | 1ML+50 2/34 | | | 100 |
| (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 | |
| Fremont Home Loan Trust FHLT | Mortgage backed security | | | |
| 04-1 M3 | 1ML+55 2/34 | | | 100 |
| Fremont Home Loan Trust FHLT | Mortgage backed security | | | |
| 04-1 M4 | 1ML+95 2/34 | | | 250 |
| Fremont Home Loan Trust FHLT | Mortgage backed security | | | |
| 04-1 M5 | 1ML+110 2/34 | | | 100 |
| Fremont Home Loan Trust FHLT | Mortgage backed security | | | |
| 04-1 M6 | 1ML+130 2/34 | | | 250 |
| GGP Mall Properties Trust GGMP | Mortgage backed security | | | |
| 01-C1A A2 | 5.007% 11/11 | | | 629 |
| GMAC Commercial Mortgage | Mortgage backed security | | | |
| Securities Inc GMACC 97-C2 A3 | 6.566% 4/29 | | | 644 |
| GMAC Commercial Mortgage | | | | |
| Securities Inc GMACC 04-C2 A2 | Interest only strip CSTR 8/38 | | | 1,500 |
| GMAC Commercial Mortgage | | | | |
| Securities Inc GMACC 04-C3 X2 | Interest only strip CSTR 12/41 | | | 226 |
| GMACC Commercial Mortgage | Mortgage backed security | | | |
| Securities Inc GMACC 00-C1 A2 | 7.724% 3/33 | | | 1,195 |
| | | | | 768 |

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|--|--------------------------------|-------|
| GS Mortgage Securities Corp 03-C1 Mortgage backed security 3.59% | | |
| A2A | 1/40 | |
| GS Mortgage Securities Corp 04-C1 Mortgage backed security | | |
| A1 | 3.659% 10/28 | 1,624 |
| | Mortgage backed securities | |
| GSAMP Trust GSAMP 02-HE M1 | 1ML+125 11/32 | 334 |
| | Mortgage backed securities | |
| GSAMP Trust GSAMP 04-FM2 M1 | 1ML+50 1/34 | 250 |
| | Mortgage backed securities | |
| GSAMP Trust GSAMP 04-FM2 M2 | 1ML+110 1/34 | 200 |
| | Mortgage backed securities | |
| GSAMP Trust GSAMP 04-FM2 M3 | 1ML+130 1/34 | 200 |
| | Mortgage backed securities | |
| GSAMP Trust GSAMP 04-HE1 M1 | 1ML+55 5/34 | 410 |
| | Mortgage backed securities | |
| GSAMP Trust GSAMP 04-HE1 M2 | 1ML+115 5/34 | 149 |
| | Mortgage backed securities | |
| GSAMP Trust GSAMP 04-HE1 M3 | 1ML+140 5/34 | 149 |
| First Franklin Mtg Loan Asset | | |
| Backed Certificates FFML 04-FF3 | Mortgage backed securities | |
| M2 | 1ML+114 5/34 | 475 |
| | Mortgage backed securities | |
| GSAMP Trust GSAMP 04-FM1 M1 | 1ML+65 11/33 | 300 |
| | Mortgage backed securities | |
| GSAMP Trust GSAMP 04-FM1 M2 | 1ML+140 11/33 | 207 |
| GSAMP Trust GSAMP 04-AHL | Mortgage backed securities | |
| M2 | 1ML+115 8/34 | 250 |
| Ge Capital Commercial Mortgage | Mortgage backed securities | |
| Corp GECCMC 04-C2 A2 | 4.119% 3/40 | 518 |
| Ge Capital Commercial Mortgage | Mortgage backed securities | |
| Corp GECCMC 04-C3 A2 | 4.433% 7/39 | 893 |
| GE Commercial Equipment | Mortgage backed securities | |
| Financing LLC GECEF 04-A A3 | 3.36% 6/08 | 1,162 |
| General Electric Capital Corp | Corporate bond 7.5% 6/15/09 | 1,257 |
| General Electric Capital Corp | Corporate bond 3.5% 5/01/08 | 464 |
| General Electric Capital Corp | Corporate bond 3.5% 8/15/07 | 540 |
| General Electric Capital Corp | Corporate bond 3.75% 12/15/09 | 1,113 |
| | Corporate bond 5.875% | |
| General Electric Capital Corp | 2/15/12A | 1,293 |
| General Electric Capital Corp | Corporate bond 5% 6/15/07 | 1,097 |
| General Motors Acceptance Corp | Corporate bond 7.75% 1/19/10 | 1,566 |
| General Motors Acceptance Corp | Corporate bond 6.75% 1/15/06 | 1,189 |
| | Corporate bond 6.125% 9/15/06 | |
| General Motors Acceptance Corp | GLBL | 918 |
| Goldman Sachs Group Inc | Corporate bond 6.6% 1/15/12 | 1,228 |
| Gracechurch Card Funding PLC | Asset backed securities 1ML+23 | |
| BCARD 5 B | 8/08 | 165 |
| Gracechurch Card Funding PLC | Asset backed securities 2.7% | |
| BCARD 5 A2 | 8/08 | 2,185 |
| Gracechurch Card Funding PLC | Asset backed securities 1ML+19 | |
| BCARD 6 B | 2/09 | 105 |

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|---|--|--|----------------------------|--------------------------|
| Granite Mortgages PLC GRAN 04-3 1B | Mortgage backed securities 3ML+16 9/44 | 200 | | |
| Granite Mortgages PLC GRAN 04-3 1M | Mortgage backed securities 3ML+27 9/44 | 100 | | |
| Granite Mortgages PLC GRAN 04-1 1B | Mortgage backed securities 3ML+21 3/44 | 145 | | |
| Granite Mortgages PLC GRAN 04-1 1M | Mortgage backed securities 3ML+41 3/44 DT | 196 | | |
| Granite Mortgages PLC GRAN 04-2 1B | Mortgage backed securities 3ML+17 6/44 | 125 | | |
| Granite Mortgages PLC GRAN 04-2 1M | Mortgage backed securities 3ML+28 6/44 | 230 | | |
| Greenwich Capital Commercial Funding Corp GCCFC 03-C1 A2 | Mortgage backed securities 3.285% 7/35 | 878 | | |
| (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 |
| | Greenwich Capital Commercial Funding Corp GCCFC 04-GG1 A4 | Mortgage backed securities 4.755% 6/36 | | 963 |
| | John Hancock Global Funding II | Corporate bond 3.75% 9/30/08 | | 810 |
| | John Hancock Global Funding II | Corporate bond 3.5% 1/30/09 | | 961 |
| | Hartford Financial Services Group Inc | Corporate bond 2.375% 6/01/06 | | 261 |
| | Heller Financial Commercial Mortgage Asset HFCMC 00-PH1 A1 | Mortgage backed securities 7.715% 1/34 | | 546 |
| | Hewlett-Packard Co | Corporate bond 6.5% 7/01/12 | | 839 |
| | Holmes Financing PLC HFP 8 1B | Mortgage backed securities 3ML+13 7/40 | | 206 |
| | Holmes Financing PLC HFP 8 2B | Mortgage backed securities 3ML+17 7/40 DT | | 272 |
| | Home Equity Asset Trust HEAT 04-1 M1 | Mortgage backed securities 1ML+63 6/34 | | 317 |
| | Home Equity Asset Trust HEAT 04-3 M1 | Mortgage backed securities 1ML+57 8/34 | | 205 |
| | Home Equity Asset Trust HEAT 04-3 M2 | Mortgage backed securities 1ML+120 8/34 | | 225 |
| | Home Equity Asset Trust HEAT 04-3 M3 | Mortgage backed securities 1ML+145 8/34 | | 100 |
| | Home Equity Asset Trust HEAT 04-4 A2 | Mortgage backed securities 1ML+32 10/34 | | 215 |
| | Home Equity Asset Trust HEAT 04-6 A2 | Mortgage backed securities 1ML+35 12/34 | | 1,236 |
| | Home Equity Asset Trust HEAT 04-7 A3 | Mortgage backed securities 1ML+39 1/35 | | 424 |
| | Holmes Financing PLC HFP 7 2M | Mortgage backed securities 3ML+80 7/40 | | 264 |
| | | | | 228 |

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| Host Marriot Pool Trust HMPT 99-HMTA D | Mortgage backed securities 7.97% 8/15 | |
| Household Automotive Trust HAT 04-1 A3 | Asset backed securities 3.3% 5/09 | 943 |
| Household Automotive Trust HAT 04-1 A4 | Asset backed securities 3.93% 7/11 | 570 |
| HSBC Finance Corp | Corporate bond 5.875% 2/1/09 DT | 328 |
| HSBC Finance Corp | Corporate bond 4.125% 12/15/08 | 1,839 |
| HSBC Finance Corp | Corporate bond 4.125% 11/16/09 | 2,394 |
| HSBC Finance Corp | Corporate bond 8.875% 2/15/08 | 1,097 |
| Household Private Label Credit Card Master Note Trust I HPLCC 02-1 A | Asset backed securities 5.5% 1/11 | 1,772 |
| Household Private Label Credit Card Master Note Trust I HPLCC 02-3 B | Asset backed securities 1ML 9/09 | 121 |
| HFC Home Equity Loan Asset Backed Certificates HFCHC 03-1 M | Mortgage backed securities 1ML+63 10/32 | 128 |
| HFC Home Equity Loan Asset Backed Certificates HFCHC 03-2 M | Mortgage backed securities 1ML+58 9/33 | 208 |
| HFC Home Equity Loan Asset Backed Certificates HFCHC 04-1 M | Mortgage backed securities 1ML+52 9/33 | 425 |
| Household Mortgage Loan Trust HMLHC 02-HC1 M | Mortgage backed securities 1ML+65 5/32 | 117 |
| Household Mortgage Loan Trust HMLHC 03-HC1 | Mortgage backed securities 1ML+65 2/33 | 292 |
| Household Mortgage Loan Trust HLHMC 03-HC2 | Mortgage backed securities 1ML+60 6/20/2103 | 436 |
| Household Mortgage Loan Trust HMLHC 04-HC1 A | Mortgage backed securities 1ML+35 2/34 | 1,118 |
| Hutchison Whampoa International 01/11 Ltd | Corporate bond 7% 2/16/11 144A | 456 |
| Hutchison Whampoa International 03/33 Ltd | Corporate bond 5.45% 11/24/10 144 | 936 |
| Impac CMB Trust IMM 04-6 1A2 | Mortgage backed securities 7/26/04 | 494 |
| JPMorgan Chase & Co | Corporate bond 5.625% 8/15/06 | 3,002 |
| JPMorgan Chase & Co | Corporate bond 4% 2/1/08 | 1,493 |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 04-CB9 A2 | Interest only strip CSTR 6/41 | 1,568 |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 03-PM1A A2 | Interest only strip CSTR 8/40 | 1,812 |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 04-CB8 A2 | Mortgage backed securities 3.837% 1/39 Interest only strip CSTR 1/37 | 1,246 679 |

| (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 | |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 04-CBX X2 | Mortgage backed securities | | | 832 |
| JP Morgan Chase Commercial Mortgage Securities Corp JPMCC 04-C3 A2 | 4.223% 1/42 | | | |
| KeySpan Corp | Corporate bond 7.625% 11/15/10 | | | 875 |
| Korea Development Bank | Corporate bond 3.875% 3/02/09 | | | 749 |
| Korea Development Bank | Corporate bond 4.75% 7/20/09 | | | 618 |
| Kraft Foods Inc | Corporate bond 5.25% 6/1/07 | | | 551 |
| LB-UBS Commercial Mortgage Trust LBUBS 00-C3 A1 | Mortgage backed securities 7.95% 7/09 | | | 1,687 |
| LB-UBS Commercial Mortgage Trust LBUBS 00-C3 A2 | Mortgage backed securities 7.95% 1/10 | | | 1,089 |
| LB-UBS Commercial Mortgage Trust LBUBS 00-C5 A1 | Mortgage backed securities 6.41% 12/19 | | | 1,041 |
| LB-UBS Commercial Mortgage Trust LBUBS 00-C5 A2 | Mortgage backed securities 6.51% 12/26 | | | 510 |
| LB-UBS Commercial Mortgage Trust LBUBS 04-C6 A2 | Mortgage backed securities 4.187% 8/29 | | | 704 |
| LB-UBS Commercial Mortgage Trust LBUBS 03-C3 A2 | Mortgage backed securities 3.086% 5/27 | | | 649 |
| LB-UBS Commercial Mortgage Trust LBUBS 03-C7 A3 | Interest only strip CSTR 9/27 | | | 828 |
| LB-UBS Commercial Mortgage Trust LBUBS 04-C2 A3 | Mortgage backed securities 3.973% 3/29 | | | 693 |
| Legg Mason Inc | Corporate bond 6.75% 7/02/08 | | | 359 |
| Lehman Brothers Holdings Inc | Corporate bond 7% 2/1/08 | | | 2,354 |
| Lehman Brothers Holdings Inc | Corporate bond 4% 1/22/08 | | | 901 |
| Lehman Brothers Holdings Inc | Corporate bond 3.95% 11/10/09 | | | 373 |
| Long Beach Mortgage Loan Trust LBMLT 03-3 M1 | Mortgage backed securities 1ML+75 7/33 | | | 897 |
| Long Beach Mortgage Loan Trust LBMLT 04-2 M1 | Mortgage backed securities 1ML+53 6/34 | | | 425 |
| Long Beach Mortgage Loan Trust LBMLT 04-2 M2 | Mortgage backed securities 1ML+108 6/34 | | | 277 |
| M&I Marshall & Ilsley Bank | Corporate bond 3.95% 8/14/09 | | | 813 |
| MBNA Credit Card Master Note Trust MBNAS 01-A1 A1 | Asset backed securities 5.75% 10/08 | | | 471 |
| MBNA Credit Card Master Note Trust MBNAS 02-1B | Asset backed securities 5.15% 7/09 | | | 1,545 |
| MBNA Credit Card Master Note Trust MBNAS 03-B2 B2 | Asset backed securities 1ML+39 10/10 | | | 156 |
| MBNA Credit Card Master Note Trust MBNAS 03-B3 B3 | Asset backed securities 1ML+37.5 1/11 | | | 704 |

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| MBNA Credit Card Master Note Trust MBNAS 03-B5 B5 | Asset backed securities 1ML+37 2/11 | | 1,034 | |
| Mastr Seasoned Securities Trust MSSTR 04-1 1A1 | Interest only strip CSTR 8/17 | | 943 | |
| M&T Bank Corp | Corporate bond 3.85% 4/01/13 | | 499 | |
| Marsh & McLennan Cos Inc | Corporate bond 5.375% 3/15/07 | | 366 | |
| Marshall & Ilsley Corp | Corporate bond 4.375% 8/01/09 | | 841 | |
| Mastr Adjustable Rate Mortgages Trust MARM 04-11 1A4 | Mortgage backed securities 1ML+49 11/34 | | 247 | |
| Mastr Adjustable Rate Mortgages Trust MARM 04-11 2A2 | Mortgage backed securities 1ML+44 11/34 | | 287 | |
| Mellon Bank NA | Corporate bond 7% 3/15/06 | | 1,595 | |
| MLCC Mortgage Investors Inc MLCC 03-F A2 | Mortgage backed securities 6ML+34 9/29 | | 1,074 | |
| MLCC Mortgage Investors Inc MLCC 03-A 2A2 | Mortgage backed securities 6ML+41 3/28 | | 256 | |
| Meritage Mortgage Loan Trust MMLT 04-1 M1 | Mortgage backed securities 1ML+50 7/34 | | 225 | |
| Meritage Mortgage Loan Trust MMLT 04-1 M2 | Mortgage backed securities 1ML+55 7/34 | | 25 | |
| Meritage Mortgage Loan Trust MMLT 04-1 M3 | Mortgage backed securities 1ML+95 7/34 | | 75 | |
| (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 |
| | Meritage Mortgage Loan Trust MMLT 04-1 M4 | Mortgage backed securities 1ML+110 7/34 | | 50 |
| | Merrill Lynch & Co Inc | Corporate bond 6.56% 12/16/07 | | 1,354 |
| | Merrill Lynch & Co Inc | Corporate bond 4.125% 1/15/09 | | 1,689 |
| | Merrill Lynch Mortgage Investors Inc MLMI 04-FM1 M2 | Mortgage backed securities 1ML+115 1/35 | | 152 |
| | MLCC Mortgage Investors Inc MLCC 04-D A2 | Mortgage backed securities 6ML+36 9/29 | | 1,166 |
| | Merrill Lynch Mortgage Trust MLMT 04-MKB1 A2 | Mortgage backed securities 4.353% 2/42 | | 1,700 |
| | Merrill Lynch Mortgage Trust MLMT 04-KEY2 A2 | Mortgage backed securities 4.166% 8/39 | | 1,223 |
| | Merrill Lynch Mortgage Trust MLMT 04-BPC1 XP | Interest only strip CSTR 9/41 Corporate bond 6.125% 12/01/11 | | 704 |
| | Metlife Inc | Corporate bond 5.375% 12/15/12 | | 833 |
| | Metlife Inc | Corporate bond 5.5% 6/15/14 | | 430 |
| | Metlife Inc | Corporate bond 2.6% 6/19/08 | | 725 |
| | Metropolitan Life Global Funding I 144A | Corporate bond 4.25% 7/30/09 | | 96 |
| | Metropolitan Life Global Funding I 144A | | | 1,244 |
| | Morgan Guaranty | | | (1860) |

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| | SYNTHETIC GIC GLOBAL WRAP AGREEMENT CONTRACT - 4.22% Corporate bond 4.375% 7/09 | |
| Monumental Global Funding II | 144A | 1,636 |
| | SYNTHETIC GIC GLOBAL WRAP AGREEMENT CONTRACT - 4.21% | (1860) |
| Monumental Life Insurance | Corporate bond 6.25% 1/15/09 | 1,709 |
| JP Morgan & Co Inc/Old | Mortgage backed securities | |
| JP Morgan Commercial Mortgage Finance Corp JPMC 99-C8 A2 | 7.4% 7/31 | 944 |
| JP Morgan Commercial Mortgage Finance Corp JPMC 00-C9 A2 | Mortgage backed securities 7.77% 10/32 | 1,060 |
| Morgan Stanley | Corporate bond 6.1% 4/15/06 | 178 |
| Morgan Stanley | Corporate bond 5.8% 4/01/07 | 1,030 |
| Morgan Stanley | Corporate bond 3.625% 4/01/08 | 276 |
| Morgan Stanley ABS Capital I MSAC 04-NC6 A2 | Mortgage backed securities 1ML+34 7/34 | 555 |
| Morgan Stanley ABS Capital I MSAC 04-HE6 A2 | Mortgage backed securities 1ML+34 8/34 | 1,118 |
| Morgan Stanley Capital I MSC 98-WF2 A2 | Mortgage backed securities 6.54% 7/30 | 869 |
| Morgan Stanley Capital I MSC 98-HF2 A1 | Mortgage backed securities 6.01% 11/30 | 315 |
| Morgan Stanley Capital I MSC 98-HF2 A2 | Mortgage backed securities 6.48% 11/30 | 1,660 |
| Morgan Stanley Capital I MSC 99-WF1 A1 | Mortgage backed securities 5.91% 11/31 | 354 |
| Morgan Stanley Capital I MSC 99-CAM1 A4 | Mortgage backed securities 7.02% 3/32 | 582 |
| Morgan Stanley Capital I MSC 03-IQ5 A3 | Mortgage backed securities 4.71% 4/38 | 631 |
| Morgan Stanley Capital I MSC 04-HQ4 X2 | Interest only strip CSTR 4/40 | 176 |
| Morgan Stanley Capital I MSC 04-HQ3 A2 | Mortgage backed securities 4.05% 1/41 | 537 |
| Morgan Stanley ABS Capital I MSAC 02-HE3 M1 | Mortgage backed securities 1ML+110 12/32 | 198 |
| Morgan Stanley ABS Capital I MSAC 02-NC6 M2 | Mortgage backed securities 1ML+210 11/32 | 263 |
| Morgan Stanley ABS Capital I MSAC 03-NC5 M2 | Mortgage backed securities 1ML+200 4/33 | 280 |
| Morgan Stanley ABS Capital I MSAC 03-NC6 M1 | Mortgage backed securities 1ML+80 6/33 | 324 |
| Morgan Stanley ABS Capital I MSAC 03-HE1 M1 | Mortgage backed securities 1ML+80 6/33 | 445 |
| Morgan Stanley ABS Capital I MSAC 03-HE1 M2 | Mortgage backed securities 1ML 6/33 | 152 |
| Morgan Stanley ABS Capital I MSAC 03-NC7 M1 | Mortgage backed securities 1 ML+70 6/33 | 191 |
| | | 107 |

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| (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 | |
| Morgan Stanley ABS Capital I MSAC 03-NC7 M2 | Mortgage backed securities 1ML+185 6/33 | | | |
| Morgan Stanley ABS Capital I MSAC 03-NC8 M1 | Mortgage backed securities 1ML+70 9/33 | | | 262 |
| Morgan Stanley ABS Capital I MSAC 03-NC10 M1 | Mortgage backed securities 1ML+68 10/33 | | | 575 |
| Morgan Stanley | Corporate bond 4% 1/15/10 | | | 1,861 |
| Morgan Stanley Dean Witter Capital I MSDWC 03-NC2 M2 | Mortgage backed securities 1ML+200 2/33 | | | 292 |
| Morgan Stanley Dean Witter Capital I MSDWC 01-NC1 M2 | Mortgage backed securities 1ML+107 10/31 | | | 100 |
| Morgan Stanley Dean Witter Capital I MSDWC 01-NC3 M2 | Mortgage backed securities 1ML+150 10/31 | | | 469 |
| Morgan Stanley Dean Witter Capital I MSDWC 01-NC4 M2 | Mortgage backed securities 1ML+165 1/32 | | | 183 |
| Morgan Stanley Dean Witter Capital I MSDWC 02-HE1 M1 | Mortgage backed securities 1ML+60 7/32 | | | 292 |
| Morgan Stanley Dean Witter Capital I MSDWC 02-HE2 M2 | Mortgage backed securities 1ML+125 8/32 | | | 151 |
| Morgan Stanley Dean Witter Capital I MSDWC 02-NC3 M1 | Mortgage backed securities 1ML+72 8/32 | | | 162 |
| Morgan Stanley Dean Witter Capital I MSDWC 02-OP1 M1 | Mortgage backed securities 1ML+75 9/32 | | | 166 |
| Morgan Stanley Dean Witter Capital I MSDWC 02-NC4 M2 | Mortgage backed securities 1ML+160 9/32 | | | 126 |
| Morgan Stanley Dean Witter Capital I MSDWC 02-NC5 M3 | Mortgage backed securities 1ML+180 10/32 | | | 102 |
| Morgan Stanley Dean Witter Capital I MSDWC 03-NC1 M1 | Mortgage backed securities 1ML+105 11/32 | | | 263 |
| Morgan Stanley Dean Witter Capital I MSDWC 03-NC1 M2 | Mortgage backed securities 1ML+205 11/32 | | | 198 |
| Mortgage Capital Funding Inc MCFI 98-MC2 A2 | Mortgage backed securities 6.423% 6/30 | | | 1,901 |
| National Collegiate Student Loan Trust NCSLT 04-2 AIO | Mortgage backed securities 9.75% 10/14 | | | 498 |
| National Rural Utilities Cooperative Finance Corp | Corporate bond 5.75% 8/28/09 | | | 446 |
| National Rural Utilities Cooperative Finance Corp | Corporate bond 3.24% 7/22/07 | | | 750 |
| Navistar Financial Corp Owner Trust NAVOT 04-B A3 | Mortgage backed securities 3.13% 5/09 | | | 542 |
| New Century Home Equity Loan Trust NCHET 03-6 M1 | Mortgage backed securities 1ML+72 1/34 | | | 544 |
| New York Life Global Funding | Corporate bond 3.875% 1/15/09 | | | 283 |
| Nissan Auto Lease Trust NALT 03-A A3B | Asset backed securities 2.57% 6/09 | | | 925 |

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|--|--|-------|
| Nissan Auto Lease Trust NALT 04-A A3 | Asset backed securities 2.9% 8/07 | 1,182 |
| Nissan Auto Lease Trust NALT 04-A A4B | Asset backed securities 3.18% 6/10 | 292 |
| Nissan Auto Receivables Owner Trust NAROT 04-C A3 | Asset backed securities 2.85% 10/07 | 248 |
| Novastar Home Equity Loan NHEL 03-2 M-1 | Mortgage backed securities 1ML+75 9/33 | 207 |
| Novastar Home Equity Loan NHEL 04-1 M1 | Mortgage backed securities 1ML+45 6/34 | 150 |
| Onyx Acceptance Grantor Trust ONYX 04-C A3 | Mortgage backed securities 2.94% 11/08 | 383 |
| PNC Funding Corp | Corporate bond 5.75% 8/1/06 | 2,159 |
| Park Place Securities Inc PPSI 04-WCW1 M1 | Mortgage backed securities 1ML+63 9/34 | 315 |
| Park Place Securities Inc PPSI 04-WCW1 M2 | Mortgage backed securities 1ML+68 9/34 | 185 |
| Park Place Securities Inc PPSI 04-WCW1 M3 | Mortgage backed securities 1ML+125 9/34 | 355 |
| Park Place Securities NIM Trust PPSIN 04-MHQ1 A | Mortgage backed securities 2.487% 12/34 | 401 |

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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 | |
| Park Place Securities NIM Trust PPSIN 04-MHQ1 B | Mortgage backed securities 3.474% 12/34 | | 210 | |
| Permanent Financing PLC PERMA 5 1B | Mortgage backed securities 3ML+14 6/42 | | 396 | |
| Permanent Financing PLC PERMA 5 2A | Mortgage backed securities 3ML+11 6/11 | | 230 | |
| Permanent Financing PLC PERMA 5 2B | Mortgage backed securities 3ML+18 6/42 | | 446 | |
| Permanent Financing PLC PERMA 4 1B | Mortgage backed securities 3ML+14 6/42 | | 205 | |
| Permanent Financing PLC PERMA 4 1M | Mortgage backed securities 3ML+23 6/42 | | 160 | |
| Permanent Financing PLC PERMA 4 2M | Mortgage backed securities 3ML+33 6/42 | | 171 | |
| Altria Group Inc | Corporate bond 7.2% 2/01/07 | | 977 | |
| Altria Group Inc | Corporate bond 7% 7/15/05 | | 1,572 | |
| ConocoPhillips | Corporate bond 8.75% 5/25/10 | | 1,442 | |
| Pricoa Global Funding I | Corporate bond 3.9% 12/15/08 | | 1,168 | |
| Pricoa Global Funding I | Corporate bond 4.35% 6/15/08 | | 1,443 | |
| Prime Credit Card Master Trust PCCMT 00-1 A | Mortgage backed securities 6.7% 10/09 | | 5 | |
| Prime Property Funding II Inc | Corporate bond 5.6% 6/15/11 | | 550 | |
| Principal Life Global Funding I | Corporate bond 3.625% 4/30/08 | | 1,502 | |
| Prudential Financial Inc | | | 655 | |

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|-----------------------------------|-------------------------------|---------|
| | Corporate bond 4.104% | |
| | 11/15/06 | |
| Prudential Financial Inc | Corporate bond 3.75% 5/01/08 | 605 |
| Prudential Securities Secured | Mortgage backed securities | |
| Financing Corp PSSF 98-C1 A1B | 6.506% 7/08 | 970 |
| | Corporate bond 5.26%/VR | |
| Rabobank Capital Funding II | PERP 144A | 2,997 |
| | SYNTHETIC GIC GLOBAL | |
| | WRAP AGREEMENT | |
| Rabobank Nederland | CONTRACT - 4.22% | (1,860) |
| Reed Elsevier Capital Inc | Corporate bond 6.125% 8/01/06 | 770 |
| Residential Asset Mortgage | Mortgage backed securities | |
| Products Inc RAMP 04-RS6 MII2 | 1ML+130 6/34 | 250 |
| Residential Asset Mortgage | Mortgage backed securities | |
| Products Inc RAMP 03-SL1 3A1 | 7.125% 4/31 | 707 |
| Residential Asset Mortgage | Mortgage backed securities | |
| Products Inc RAMP 04-SL2 A1I | 6.5% 10/16 | 216 |
| Residential Asset Mortgage | Mortgage backed securities | |
| Products Inc RAMP 03-RZ2 A1 | 3.6% 4/33 | 460 |
| Royal KPN NV | Corporate bond 8% 10/01/10 | 1,013 |
| SBC Communications Inc | Corporate bond 6.25% 3/15/11 | 451 |
| SBC Communications Inc | Corporate bond 4.125% 9/15/09 | 2,379 |
| SLM Corp | Corporate bond 4% 1/15/09 | 681 |
| SLM Corp | Corporate bond 3.5% 9/30/06 | 1,565 |
| SLM Student Loan Trust SLMA | Mortgage backed securities | |
| 04-A B | 3ML+58 6/33 | 203 |
| | Corporate bond 3.8% 10/22/08 | |
| SP PowerAssets Ltd | 144 | 1,308 |
| Salomon Brothers Mortgage | Mortgage backed securities | |
| Securities VII SBM7 00-C3 A2 | 6.592% 12/33 | 943 |
| Salomon Brothers Mortgage | Mortgage backed securities | |
| Securities VII SBM7 00-C1 A2 | 7.52% 12/09 | 1,050 |
| Salomon Brothers Mortgage | Mortgage backed securities | |
| Securities VII SBM7 03-HE1 A | 1ML+40 4/33 | 225 |
| Citigroup Global Markets Holdings | | |
| Inc | Corporate bond 6.5% 2/15/08 | 288 |
| Citigroup Global Markets Holdings | Corporate bond 5.875% 3/15/06 | |
| Inc | DT | 2,568 |
| Securitized Asset Backed | | |
| Receivables LLC Trust SABR | Mortgage backed securities | |
| 04-NC1 M1 | 1ML+52 2/34 | 290 |
| Sequoia Mortgage Trust SEMT 03-6 | Mortgage backed securities | |
| A2 | 6ML+33 11/33 | 984 |
| Sequoia Mortgage Trust SEMT 04-1 | Mortgage backed securities | |
| A | 6ML+30 2/34 | 870 |
| Sequoia Mortgage Trust SEMT 04-2 | Mortgage backed securities | |
| A | 6ML+27 3/34 | 599 |
| SouthTrust Corp | Corporate bond 5.8% 6/15/14 | 576 |
| Southwestern Public Service Co | Corporate bond 5.125% 11/06 | 756 |
| Amortizing Residential Collateral | Mortgage backed securities | |
| Trust ARC 02-BC1 M2 | 1ML+110 1/32 | 256 |

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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 | |
| Structured Asset Securities Corp SASC 04-GEL1 A | Mortgage backed securities 1ML+36 2/34 | | | 143 |
| Structured Asset Securities Corp SASC 04-NP1 A | Mortgage backed securities 1ML+40 9/33 | | | 402 |
| Target Corp | Corporate bond 5.375% 6/15/09 | | | 821 |
| Telecom Italia Capital SA | Corporate bond 4% 11/15/08 | | | 1,801 |
| | Corporate bond 4% 1/15/10 | | | |
| Telecom Italia Capital SA | 144A | | | 915 |
| Telefonica Europe BV | Corporate bond 7.75% 9/15/10 | | | 597 |
| Terwin Mortgage Trust TMTS 04-1HE A | Mortgage backed securities 1ML+51 2/35 | | | 411 |
| Textron Financial Corp | Corporate bond 2.75% 6/01/06 | | | 451 |
| Textron Inc | Corporate bond 4.5% 8/01/10 | | | 391 |
| Thornburg Mortgage Securities Trust TMST 04-3 A | Mortgage backed securities 1ML+37 9/34 | | | 645 |
| Travelers Property Casualty Corp | Corporate bond 3.75% 3/15/08 | | | 330 |
| US Bank NA | Corporate bond 3.9% 8/15/08 | | | 1,068 |
| US Bank NA | Corporate bond 6.375% 8/01/11 | | | 567 |
| SLM Corp | Corporate bond 5.625% 4/10/07 | | | 1,176 |
| | SYNTHETIC GIC GLOBAL WRAP AGREEMENT | | | |
| UBS AG | CONTRACT - 4.22% | | | (1,860) |
| Union Planters Bank NA | Corporate bond 5.125% 6/15/07 | | | 521 |
| US Bancorp | Corporate bond 5.1% 7/15/07 | | | 317 |
| United States Treasury Note/Bond | USTB 10.375% 11/15/12 C07 | | | 6,899 |
| United States Treasury Note/Bond | USTN 3.125% 5/15/07 | | | 7,662 |
| United States Treasury Note/Bond | USTN 4% 6/15/09 | | | 29,738 |
| Verizon Global Funding Corp | Corporate bond 7.25% 12/1/10 | | | 1,697 |
| Verizon New York Inc | Corporate bond 6.875% 4/01/12 | | | 421 |
| Virginia Electric and Power Co | Corporate bond 5.75% 3/31/06 | | | 1,253 |
| Volkswagen Auto Lease Trust VWALT 04-A A3 | Asset backed securities 2.84% 7/07 | | | 1,256 |
| WFS Financial Owner Trust WESTO 04-3 A3 | Mortgage backed securities 3.3% 3/09 | | | 828 |
| WFS Financial Owner Trust WESTO 04-3 A4 | Mortgage backed securities 3.93% 2/12 | | | 673 |
| WFS Financial Owner Trust WESTO 04-4 A4 | Mortgage backed securities 3.44% 5/12 | | | 1,231 |
| Wachovia Bank Commercial Mortgage Trust WBCMT 03-C6 A2 | Mortgage backed securities 4.498% 8/35 | | | 890 |
| Wachovia Bank Commercial Mortgage Trust WBCMT 03-C8 A3 | Mortgage backed securities 4.445% 11/35 | | | 1,852 |
| Wachovia Bank Commercial Mortgage Trust WBCMT 04-C14 A2 | Mortgage backed securities 4.368% 8/41 | | | 1,566 |
| | Interest only strip CSTR 10/41 | | | 1,047 |

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|----------------------------------|-------------------------------|--------------------|
| Wachovia Bank Commercial | | |
| Mortgage Trust WBCMT 04-C15 | | |
| XP | | |
| Wachovia Corp/Old | Corporate bond 6.15% 3/15/09 | 332 |
| Wachovia Corp | Corporate bond 4.875% 2/15/14 | 319 |
| Wachovia Corp | Corporate bond 5.25% 8/14 LT2 | 506 |
| Washington Mutual Inc | Corporate bond 4% 1/15/09 | 776 |
| Washington Mutual MSC Mortgage | | |
| Pass-Through CTFS WAMMS | Mortgage backed securities | |
| 03-MS9 2A1 | 7.5% 12/33 | 172 |
| Wells Fargo & Co | Corporate bond 5.25% 12/01/07 | 362 |
| Wells Fargo & Co | Corporate bond 4% 9/10/12 | 476 |
| Wells Fargo & Co | Corporate bond 4.2% 1/15/10 | 1,709 |
| Westfield Capital Corp Ltd/WT | | |
| Finance Aust Pty Ltd/WEA Finance | Corporate bond 4.375% | |
| LLC | 11/15/10 144A | 895 |
| Whole Auto Loan Trust WALT | Mortgage backed securities | |
| 04-1 A3 | 2.96% 6/08 | 1,663 |
| World Omni Auto Receivables | Asset backed securities 3.96% | |
| Trust WOART 04-A A4 | 7/11 | 1,042 |
| XL Capital Ltd | Corporate bond 5.25% 9/15/14 | 758 |
| Wisconsin Energy Corp | Corporate bond 5.875% 4/01/06 | 429 |
| Sub-total Managed Income Fund | | 614,657 |
| | Various registered investment | |
| Self Directed Brokerage Account | companies | ** 2,196 |
| Total Assets | | \$1,392,046 |

* 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: July 13, 2005

By: /s/ Curtis E. Espeland_ _
Curtis E. Espeland
Vice President and 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 | 35 |

