

EASTMAN CHEMICAL CO
Form 11-K
June 26, 2017

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

FORM 11-K

(Mark
One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

OR

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

For the transition period from _____ to _____

Commission file number 1-12626

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

EASTMAN INVESTMENT AND EMPLOYEE STOCK OWNERSHIP PLAN

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

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

Eastman Investment and Employee Stock Ownership Plan

Table of Contents

Report of Independent Registered Public Accounting Firm 1

Basic Financial Statements:

Statements of Net Assets Available for Benefits at December 31, 2016 and 2015 2

Statements of Changes in Net Assets Available for Benefits for the years ended December 31, 2016 and 2015 3

Notes to Financial Statements 4-15

Additional Information (Note A):

Schedule of Assets (Held at End of Year) at December 31, 2016 17-29

Signatures 30

Exhibits 31

Note A: Other supplemental schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Report of Independent Registered Public Accounting Firm

To the Audit Committee and Plan Administrator of the
Eastman Investment and Employee Stock Ownership Plan

We have audited the accompanying statements of net assets available for benefits of the Eastman Investment and Employee Stock Ownership Plan (the "Plan") as of December 31, 2016 and 2015, and the related statements of changes in net assets available for benefits for the years then ended. 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 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. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2016 and 2015, 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.

The supplemental information in the accompanying schedule of assets (held at end of year) as of December 31, 2016, has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements but include supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information in the accompanying schedule, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information in the accompanying schedule is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Brown Smith Wallace LLP
St. Louis, Missouri
June 26, 2017

Eastman Investment and Employee Stock Ownership Plan
 Statements of Net Assets Available for Benefits
 December 31, 2016 and 2015
 (in thousands)

	2016			2015		
	Participant	Non-		Participant	Non-	
	Directed	participant	Total	Directed	participant	Total
	Directed	Directed		Directed	Directed	
Assets						
Investments at fair value	\$1,754,765	\$165,472	\$1,920,237	\$1,738,708	\$149,716	\$1,888,424
Investments at contract value	902,221	—	902,221	874,030	—	874,030
Receivables:						
Plan sponsor contributions	32,168	15,705	47,873	32,796	14,993	47,789
Notes receivable from participants	51,769	—	51,769	50,384	—	50,384
Other receivables	3,499	1,198	4,697	4,264	1,008	5,272
Total assets	2,744,422	182,375	2,926,797	2,700,182	165,717	2,865,899
Liabilities						
Accrued expenses	19	16	35	22	16	38
Other liabilities	3,262	1,670	4,932	2,625	1,635	4,260
Total liabilities	3,281	1,686	4,967	2,647	1,651	4,298
Net assets available for benefits	\$2,741,141	\$180,689	\$2,921,830	\$2,697,535	\$164,066	\$2,861,601

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

Eastman Investment and Employee Stock Ownership Plan
 Statements of Changes in Net Assets Available for Benefits
 For the Years Ended December 31, 2016 and 2015
 (in thousands)

	Participant	2016 Non- participant	Total	Participant	2015 Non- participant	Total
	Directed	Directed		Directed	Directed	
Additions to net assets:						
Investment income						
Interest	\$ 16,220	\$—	\$ 16,220	\$ 15,459	\$—	\$ 15,459
Dividends	34,307	4,324	38,631	86,446	3,733	90,179
Net appreciation (depreciation) in fair value of investments	99,375	19,544	118,919	(79,354)	(18,444)	(97,798)
Net investment gain (loss)	149,902	23,868	173,770	22,551	(14,711)	7,840
Interest income from notes receivable	2,272	—	2,272	2,250	—	2,250
Participant contributions	101,291	—	101,291	93,530	—	93,530
Plan sponsor contributions	46,807	15,688	62,495	45,917	14,993	60,910
Total additions	300,272	39,556	339,828	164,248	282	164,530
Deductions from net assets:						
Distributions to and withdrawals by participants	303,601	12,113	315,714	220,374	8,215	228,589
Administrative expenses (refunds)	(12)	—	(12)	(945)	—	(945)
Total deductions	303,589	12,113	315,702	219,429	8,215	227,644
Net increase (decrease) in net assets	(3,317)	27,443	24,126	(55,181)	(7,933)	(63,114)
Transfers from non-participant directed Plan transfers (see Note 15)	10,820	(10,820)	—	8,362	(8,362)	—
Plan transfers (see Note 15)	36,103	—	36,103	3,735	—	3,735
Net assets available for benefits at beginning of year	2,697,535	164,066	2,861,601	2,740,619	180,361	2,920,980
Net assets available for benefits at end of year	\$ 2,741,141	\$ 180,689	\$ 2,921,830	\$ 2,697,535	\$ 164,066	\$ 2,861,601

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

Eastman Investment and Employee Stock Ownership Plan
Notes to Financial Statements

1. DESCRIPTION OF PLAN

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

Money in the forfeiture account of the Plan is available to be used both to offset future Company contributions and