

March 17, 2011

Dear Kodak Color Negative Paper Customer,

Escalating commodity prices for silver have severely impacted many industrial segments, including the manufacture of silver-halide based color negative photographic paper products. As Kodak's commodity costs have increased dramatically, we have absorbed the higher prices passed on to us by silver suppliers. Historically, these ups and downs have tended to normalize over relatively short periods of time, mitigating the need for any type of adjustment. This most recent run up has been dramatic and appears more prolonged. Forecasted trends do not call for the run up to subside over the foreseeable future.

For photo finishing businesses processing color negative paper ("CNP") and reclaiming the majority of the silver, increased silver prices have created an economic benefit as elevated commodity prices have increased the value of reclaimed silver well beyond the historical averages. Accordingly, in the face of these sustained increases, Kodak must rebalance these economics by implementing a silver surcharge.

Effective April 1<sup>st</sup> 2011, Kodak will implement the following:

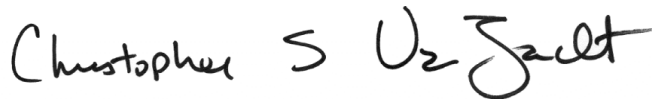
- ◆ Supply agreements currently in force are based on silver prices in place during 2008 & 2009 that averaged slightly below \$15 / troy oz.
- ◆ Based on the silver content of our products, Kodak will assess a silver recovery factor of .00125 on professional papers (Endura) and .00100 on consumer papers (Edge, Royal, and Kodak Photo Book paper) for every dollar change in silver from the historical average of \$15 / troy oz on each square foot of CNP products purchased.
- ◆ The silver surcharge is derived from the following base assumptions:
  - Customers are reclaiming at least 90% of the silver contained in CNP products
  - Customers net at least 80% of the value after silver reclamation / refining fees
- ◆ Kodak will only apply the silver surcharge to the value of silver above \$15 / troy oz. Customers continue to enjoy 100% of the silver reclamation benefit below \$15 /troy oz. Should silver prices drop below \$15 /troy oz. a credit will be posted on the invoice to reflect this lower commodity cost. Our intent is to normalize the total cost of using our CNP products to the point where current supply agreements were derived.
- ◆ The silver surcharge will be shown as a separate line item on the invoice for each CNP catalog item ordered.
- ◆ In order to minimize day to day variations, the silver price used to calculate the silver surcharge will be updated on the 1st of each month based on a 90 day rolling average with a 30 day lag.

- Example: April 2011 surcharge will be based upon the 90 day average for December 2010, January 2011, & February 2011 silver prices (using published Kitco silver metals rates set forth in the historical data section of [www.kitco.com](http://www.kitco.com))
- ◆ Should silver price decline, the silver surcharge will reflect these reductions so that the total delivered cost of a print on Kodak media products approximates the cost when silver was \$15 /troy oz.
- ◆ Kodak also offers silver management assistance to customers to help evaluate, optimize, and train personnel on reclamation processes.
- ◆ In order to ensure ongoing supply of CNP products to our entire customer base, as well as, mitigate the impact of silver pricing going forward, Kodak reserves the right to limit quantities ordered in March 2011.

By implementing the silver surcharge, Kodak has normalized the total cost of using our CNP products to a point that is aligned with the average costs when the vast majority of these supply agreements were made. In effect we have removed the cost variability from using our CNP products due to silver price fluctuations. While the silver surcharge will vary with current market pricing, it will be comparable to the upside or downside realized by users through reclamation. Through this process, the net cost to a user of Kodak CNP products will be far more stable. This normalization enables Kodak to have a more sustainable business and ensures continued availability of our Professional and Consumer CNP products.

For additional information, please contact your local Kodak Account Representative. Thank you for your continued support of Kodak products and services.

Sincerely,



Christopher Van Zandt  
Vice President & General Manager, Paper & Output Systems  
Americas Region, Eastman Kodak Company