

BIDDING PROCEDURES

The procedures set forth herein (the “Bidding Procedures”) govern the proposed sale (the “Sale”) by Eastman Kodak Company (“Kodak”) and Kodak Imaging Network, Inc. (“KIN”), as debtors and debtors in possession (collectively, the “Debtors” or “Sellers”) of certain assets of KIN’s business “Kodak Gallery” (the “Transferred Assets”).

The Sale will be implemented pursuant to the Transfer Agreement, dated March 1, 2012 (as it may be amended, the “Stalking Horse Purchase Agreement” or the “Stalking Horse Bid”), by and among Shutterfly, Inc. (the “Stalking Horse Purchaser”) and Sellers, subject to the receipt of higher or otherwise better bids in accordance with these Bidding Procedures. All capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Stalking Horse Purchase Agreement.

These Bidding Procedures describe, among other things, the manner in which bidders and bids become Qualified Bidders and Qualified Bids (each as defined below), the receipt and negotiation of bids received, the conduct of any subsequent Auction (as defined below), the ultimate selection of the Successful Bidder(s) (as defined below), and Bankruptcy Court approval of the Sale (collectively, the “Bidding Process”). Where these Bidding Procedures state that an election is to be made or action taken by the Debtors, such decision or action shall be made in the sole discretion of the Debtors unless otherwise indicated.

The form of these Bidding Procedures was approved by order dated [_____] (the “Bidding Procedures Order”), of the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) (in which the Debtors’ chapter 11 bankruptcy cases, jointly administered under Case No. 12-10202 (ALG), are pending) pursuant to Debtors’ Motion for Orders (I)(A) Authorizing Debtors’ Entry into the Stalking Horse Purchase Agreement, (B) Authorizing and Approving the Bidding Procedures and Break-Up Fee, (C) Approving the Notice Procedures, (D) Authorizing the Filing of Certain Documents under Seal and (E) Setting a Date for the Sale Hearing and (II) Authorizing and Approving the Sale of Certain Assets of Kodak Imaging Network, Inc. Free and Clear of All Claims and Interests, filed March [2], 2012.

If the Stalking Horse Purchase Agreement is terminated by Sellers or the Stalking Horse Purchaser for any reason at any time prior to the consummation of a Successful Bid (as defined below), the Debtors may elect to terminate the Bidding Process. If the Debtors elect to terminate the Bidding Process, neither the Stalking Horse Purchaser nor the Debtors will have any obligations with respect thereto; provided that, for the avoidance of doubt, such termination of the Bidding Process will not affect Sellers’ obligations with respect to the Break-Up Fee or any liability of the Stalking Horse Purchaser for breach, in each case as provided in the Stalking Horse Purchase Agreement.

Preliminary Participation Requirements

In order to participate in the Bidding Process, each interested person or entity must deliver the following documents to the parties described below (the “Preliminary Bid Documents”), together with such other documents as the Debtors may request:

- (a) an executed confidentiality agreement (a “Bidder Confidentiality Agreement”), which shall inure to the benefit of any purchaser of the Transferred Assets, and shall be in the form attached hereto as Appendix A or in such other form as the Debtors may require in light of the nature of the confidential information to be shared and the identity and business of the interested person or entity; and
- (b) preliminary proof of the financial capacity of the potential bidder to close the Sale, which may include current unaudited or verified financial statements of, or verified financial commitments obtained by, the potential bidder (or, if the potential bidder is an entity is formed for the purpose of acquiring the Transferred Assets, the party that will fund the purchase price and bear liability for a breach of the Stalking Horse Purchase Agreement), the adequacy of which the Debtors and its advisors will determine their discretion after consultation with the Creditors Committee, the Second Lien Noteholders Committee and the DIP Agent.

The Preliminary Bid Documents must be transmitted so as to be received no later than [__:], Eastern Time, on [____] by each of the following parties (collectively, the “Notice Parties”): (a) the Debtors, c/o Eastman Kodak Company, 343 State Street, Rochester, NY 14650-0126 (Attn: Jeremy R. Salesin and Dorothy H. Cusker); (b) Sullivan & Cromwell LLP, counsel to the Debtors, 125 Broad Street, New York, New York 10004 (Attn: Andrew G. Dietderich and Michael H. Torkin); (c) Nixon Peabody LLP, counsel to the Debtors, 1300 Clinton Square, Rochester, NY 14604 (Attn: Deborah J. McLean, Esq.); (d) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Brian S. Masumoto, Esq.); (e) Milbank, Tweed, Hadley & McCloy LLP, proposed counsel to the Official Committee of Unsecured Creditors, 1 Chase Manhattan Plaza, New York, New York (Attn: Dennis F. Dunne, Tyson M. Lomazow and Brian Kinney); (f) Akin Gump Strauss Hauer & Feld LLP, counsel to the Ad Hoc Committee of Second Lien Noteholders, One Bryant Park, New York, New York 10036 (Attn: Michael S. Stamer, David Botter and Stephen Kuhn); (g) Davis Polk & Wardwell LLP, counsel to Citicorp North America, Inc., as agent for the Debtors' postpetition secured lenders, 450 Lexington Ave, New York, New York 10017 (Attn: Marshall S. Huebner and Brian M. Resnick); (h) the Stalking Horse Purchaser, c/o Shutterfly, Inc., 2800 Bridge Parkway, Redwood City, CA 94065 (Attn: Charlotte Falla); and (i) Vectis Law Group, counsel to the Stalking Horse Purchaser, 2225 E. Bayshore Road, Suite 200, Palo Alto, CA 94303 (Attn: Patrick M. Costello); provided, however, that the Debtors may consider Preliminary Bid Documents submitted after the foregoing deadline if the Debtors, after consultation with the Creditors Committee, the Second Lien Noteholders Committee and the DIP Agent, determine it will be helpful to the success of the Bidding Process.

Within three (3) Business Days after a potential bidder delivers the Preliminary Bid Documents, the Debtors shall determine and notify such potential bidder whether it qualifies as a “Potential Bidder” and deliver to such Potential Bidder an electronic copy of the Stalking Horse Purchase Agreement, together with all exhibits and schedules thereto; provided that the Debtors may redact any information contained therein that the Debtors determine to be confidential commercial information. The Stalking Horse Purchaser will be considered a Potential Bidder so long as the Stalking Horse Purchase Agreement is in effect. No person or entity which does not qualify as a Potential Bidder may bid or otherwise participate in the Bidding Process.

Due Diligence

Until the Bid Deadline (as defined below) and subject to the Bidder Confidentiality Agreement, the Debtors may provide in their discretion such due diligence access or additional information as may be reasonably requested by any Potential Bidder. All due diligence requests shall be directed to Subra Narayan, Eastman Kodak Company, c/o Karen Baker, 1999 Lake Avenue, Rochester, NY 14650 (t: 650.350.4077), or Kenneth Fillion, Eastman Kodak Company, 343 State Street, Rochester, NY 14650 (t: 585.724.5800).

Each Potential Bidder who submits a bid will be deemed to acknowledge and represent that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets and liabilities of the Debtors and their Affiliates in making its bid, and that it did not rely upon any written or oral statements, representations, promises, warranties or guarantees whatsoever, whether express, implied, by operation of law or otherwise, regarding the Debtors or their Affiliates, or the completeness of any information provided in connection with its bid or the Bidding Process, except to the extent expressly stated in definitive documentation entered into by the Debtors and the Successful Bidder.

Bid Deadline

A Potential Bidder who desires to make a bid must deliver the Bid Requirements (as defined below) so as to be received by the Notice Parties no later than [__:__], Eastern Time, on [_____] (the "Bid Deadline"). The Debtors may extend the Bid Deadline in their discretion after consultation with the Creditors Committee, the Second Lien Noteholders Committee and the DIP Agent. If the Debtors extend the Bid Deadline, the Debtors will promptly notify all Potential Bidders, the Creditors' Committee, the Second Lien Noteholders Committee and counsel to the DIP Agent of such extension.

Bid Requirements

A bid will be considered only if the bid includes all of the following (the "Bid Requirements"):

- (a) authorization for the Debtors to provide the Bid Documents and Marked Agreement to the Notice Parties;
- (b) a duly authorized and executed Stalking Horse Purchase Agreement to purchase all or a substantial portion of the Transferred Assets, including the purchase price for the Transferred Assets, together with all exhibits, schedules and ancillary agreements, together with a version marked to show those amendments and modifications to the Stalking Horse Purchase Agreement (a "Marked Agreement") and the proposed Sale Order, which may not be materially more burdensome to the Debtors than the Stalking Horse Purchase Agreement or inconsistent with these Bidding Procedures;
- (c) constitutes a good faith, bona fide offer to purchase the Transferred Assets and to assume such liabilities as the Proposed Bidder proposes to assume;

- (d) results in a value (after provision for the payment of the Break-Up Fee) as determined by the Debtors pursuant to the Bid Assessment Criteria, either individually or, in conjunction with another Qualified Bid, greater than or equal to the net value the Debtors would receive under the Stalking Horse Purchase Agreement plus \$500,000.00 (it being understood that the Debtors will value any assumption of liabilities or other non-cash consideration in their discretion);
- (e) the identity of each entity that will be participating in connection with the bid and the terms of such participation;
- (f) the identity of the assets to be purchased and the contracts and leases to be assumed;
- (g) an unambiguous commitment to pay all amounts required to cure any defaults pursuant to section 365(b) of the Bankruptcy Code and to provide adequate assurance of future performance under any executory contracts or unexpired leases the Potential Bidder proposes to be assumed;
- (h) information sufficient in the judgment of the Debtors, after consultation with the Creditors Committee, the Second Lien Noteholders Committee and the DIP Agent, to demonstrate to the satisfaction of the Debtors that the Potential Bidder has the financial wherewithal and operational ability to consummate the transaction contemplated by the Marked Agreement, or in the absence of such financial wherewithal, written evidence of a firm commitment for financing the consummation of the transaction contemplated by the Marked Agreement, or other evidence of ability to consummate the transaction contemplated by the Marked Agreement that is satisfactory to the Debtors after consultation with the Creditors Committee, the Second Lien Noteholders Committee and the DIP Agent;
- (i) unless the Debtors otherwise determine, is not conditioned on any contingency, including, without limitation, obtaining any of the following: (i) financing, (ii) shareholder or board of directors approval, and/or (iii) the outcome or completion of a due diligence review;
- (j) evidence of approval by the board of directors (or other appropriate governing body) of the Potential Bidder, and, if applicable, its parent company, with respect to the submission of the bid and the execution and delivery of the Marked Agreement and the proposed Sale Order;
- (k) identifies with particularity each and every condition to closing;
- (l) is received on or before the Bid Deadline;
- (m) unless the Debtors otherwise determine, includes a cash deposit equal to 10% of the Purchase Price under the Stalking Horse Purchase Agreement to an escrow account designated by the Debtors (the "Good Faith Deposit");
- (n) does not include an entitlement to any break-up fee, transaction fee, termination fee or any similar type of payment or, unless the Debtors otherwise determine, any expense reimbursement or any similar type of reimbursement; and
- (o) is irrevocable until such outside date as the Debtors determine or the earlier consummation of a transaction with the Successful Bidder or an Alternative Bidder.

A Potential Bidder who submits a bid that satisfies all of the Bid Requirements and the Due Diligence Requirements (as defined below) shall be a "Qualified Bidder" and its submitted bid will constitute a "Qualified Bid." The Debtors shall notify the Potential Bidders whether their bids have been determined to be Qualified Bids by no later than [__:_], Eastern Time, on [_____]. The Stalking Horse Purchaser shall be deemed a Qualified Bidder and the Stalking Horse Purchase Agreement shall be deemed a Qualified Bid for all purposes in connection with the Bidding Process.

Evaluation of Qualified Bids

Prior to the Auction (as defined below), the Debtors shall evaluate the Qualified Bids and identify the Qualified Bid or combination of Qualified Bids that is, in the Debtors' judgment after consultation with the Creditors Committee, the Second Lien Noteholders Committee and the DIP Agent, the highest or otherwise best offer (the "Starting Bid"). Within twenty-four (24) hours of such determination, but in no event later than one (1) Business Day prior to the date of the Auction, the Debtors shall distribute copies of the Starting Bid to each Qualified Bidder. If no Qualified Bids are received by the Bid Deadline, then the Auction will not occur, the Stalking Horse Purchase Agreement will be deemed the Successful Bid (as defined herein) and, subject to the Debtors' termination rights under the Stalking Horse Purchase Agreement, the Debtors will pursue entry of the Sale Order as soon as practicable.

A Qualified Bid will be valued by the Debtors based upon several factors, including, without limitation, items such as the net value and recovery to the Debtors' estates provided by such bid, the total consideration to be received by the Debtors, the number and complexity of transactions that would be required to consummate the Qualified Bid, the number of counterparties to such transactions, the amount of assets included or excluded from the Qualified Bid, whether the Qualified Bid contemplates offers of comparable employment to KIN Debtor's employees, the number, type and nature of any changes to the Stalking Horse Purchase Agreement, the potential disruption to the Debtors that would result from the Qualified Bid being consummated in comparison to that resulting from the Stalking Horse Purchase Agreement and the likelihood and timing of consummating such transactions (the "Bid Assessment Criteria"), each as determined by the Debtors in their sole discretion. The Debtors' determination of the value of a Qualified Bid, or the relative value of Qualified Bids, shall be final as between the Debtors, the Stalking Horse Purchaser and any Qualified Bidders and shall not be subject to challenge by the Stalking Horse Purchaser or any Qualified Bidder in such capacity.

Due Diligence from Bidders

Each Qualified Bidder shall comply with all reasonable requests for additional information and due diligence access by the Debtors or their representatives (the "Due Diligence Requirements"). Failure of a Qualified Bidder to fully comply with the Due Diligence Requirements will be a basis for the Debtors to determine that a bid made by an otherwise Qualified Bidder is not a Qualified Bid.

Auction

In the event that, on or before the Bid Deadline, the Debtors receive one or more Qualified Bids in addition to the Stalking Horse Purchase Agreement, the Debtors will conduct an auction in accordance with the following procedures (the "Auction") upon notice to all Qualified Bidders. The Auction will commence at [__:__], Eastern Time, on [____] at the offices of Sullivan & Cromwell LLP, 125 Broad Street, New York, NY or such later time or other place as the Debtors shall timely notify the Stalking Horse Bidder, all other Qualified Bidders and the Notice Parties.

- (a) Unless the Debtors otherwise determine, only the Debtors, the Stalking Horse Purchaser, any representative of each of the Creditors' Committee, the Second Lien Noteholders Committee and the DIP Agent, and any Qualified Bidder (and the legal and financial advisors to each of the foregoing), will be entitled to attend the Auction, and only the Stalking Horse Purchaser and the Qualified Bidders will be entitled to make any Subsequent Bids at the Auction.
- (b) The Debtors may employ and announce at the Auction additional procedural rules that they determine appropriate under the circumstances (e.g., the amount of time allotted to make Subsequent Bids) for conducting the Auction after consultation with the Creditors Committee, the Second Lien Noteholders Committee and the DIP Agent, provided that such rules are (i) not inconsistent with the Bidding Procedures Order, the Bankruptcy Code, the Bankruptcy Rules or any order of the Bankruptcy Court entered in connection herewith and (ii) disclosed to each Qualified Bidder.
- (c) Each Qualified Bidder will be required to confirm on the record of the Auction that it has not engaged in any collusion with respect to the bidding or the Sale.
- (d) Bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one subsequent bid is submitted by a Qualified Bidder that (i) improves upon such Qualified Bidder's immediately prior Qualified Bid (a "Subsequent Bid") and (ii) the Debtors determine that such Subsequent Bid is (a) for the first round, a higher or otherwise better offer than the Starting Bid, and (b) for subsequent rounds, a higher or otherwise better offer than the Leading Bid (defined below). The first minimum incremental bid at the Auction shall have a value as determined by the Debtor of at least \$500,000.00 over the Starting Bid, with any subsequent bid increases to be made in minimum increments of at least \$200,000.00. After the first round of bidding and between each subsequent round of bidding, the Debtors shall announce the bid (and the value of such bid) that they believe to be the highest or otherwise best offer (the "Leading Bid") and the time in which a Subsequent Bid must be received. The Debtors may permit 'passes' and otherwise modify these procedures as the Debtors determine appropriate in the circumstances after consultation with the Creditors Committee, the Second Lien Noteholders Committee and the DIP Agent.
- (e) For purposes of evaluating the value of the consideration provided by Subsequent Bids (including any Subsequent Bid by the Stalking Horse Purchaser), the Debtors will give the Stalking Horse Purchaser a credit equal to the Break Up Fee.
- (f) Absent irregularities in the conduct of the Auction, the Bankruptcy Court will not consider bids made after the Auction is closed.

Selection Of Successful Bid

The Debtors reserve the right to (i) determine in their discretion, after consultation with the Creditors Committee, the Second Lien Noteholders Committee and the DIP Agent, which bid is the highest or best (the "Highest Bid(s)") and the bidder(s) making such bid(s), the "Highest Bidder(s)") based on the Bid Assessment Criteria or such other considerations as they deem appropriate and (ii) reject at any time prior to entry of a Bankruptcy Court order approving an offer, without liability, any offer, other than the Stalking Horse Bid, that the Debtors, in their discretion after consultation with the Creditors Committee, the Second Lien Noteholders Committee and the DIP Agent, deem to be (x) inadequate or insufficient, (y) not in conformity with the requirements of the Bidding Procedures Order, the Bankruptcy Code, the Bankruptcy Rules or any order of the Bankruptcy Court entered in connection herewith or (z) contrary to the best interests of the Debtors. If an Auction is held, the Debtors shall be deemed to have accepted a Qualified Bid only when (i) such bid is declared the Highest Bid at the Auction and (ii) definitive documentation has been executed in respect thereof. Such acceptance is conditioned upon approval by the Bankruptcy Court of the Highest Bid and entry of the Sale Order approving such Highest Bid.

Sale Hearing

The Sale Hearing will be held before the Honorable Allan L. Gropper at [__:__], Eastern Time, on [____], in the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, NY 10004. The Sale Hearing may be adjourned without further notice by an announcement of the adjourned date at the Sale Hearing. If the Debtors do not receive any Qualified Bids (other than the Qualified Bid of the Stalking Horse Purchaser), the Debtors will report the same to the Bankruptcy Court at the Sale Hearing and will proceed with a sale of the Transferred Assets to the Stalking Horse Purchaser following entry of the Sale Order in accordance with the terms of the Stalking Horse Purchase Agreement. If the Debtors do receive additional Qualified Bids, then, at the Sale Hearing, the Debtors will seek approval of the Highest Bid and, if the Highest Bid is not promptly approved and the Debtors so elect, the next highest or best Qualified Bid received in the Auction. The Qualified Bid approved by the Bankruptcy Court and reflected in the entry of the Sale Order shall be deemed to be the "Successful Bid", and the applicable Qualified Bidder the "Successful Bidder", for purposes hereof.

In addition, at the Debtors' election, one or more other Qualified Bid(s) received in the Auction constituting the next highest or best bid(s) may be approved alongside the Successful Bid (such bids, the "Alternate Bid(s)," and such bidder(s), the "Alternate Bidder(s)"); *provided, however*, that in no event shall the Stalking Horse Purchase Agreement be deemed an Alternate Bid or the Stalking Horse Purchaser deemed an Alternate Bidder without the Stalking Horse Purchaser's consent, in its sole discretion. Following approval of the Sale to the Successful Bidder(s), if the Successful Bidder(s) fail(s) to consummate the Sale because of (a) failure of a condition precedent beyond the control of either the Debtors or the Successful Bidder(s) upon which occurrence the Debtors have filed a notice with the Bankruptcy Court advising of such failure or (b) a breach or failure to perform on the part of such Successful Bidder(s) upon which

occurrence the Debtors have filed a notice with the Bankruptcy Court advising of such breach or failure to perform, then the Alternate Bid(s) will be deemed to be the Successful Bid(s) and the Debtors will be authorized, but not directed, to effectuate a Sale to the Alternate Bidder(s) subject to the terms of the Alternate Bid(s) of such Alternate Bidder(s) without further order of the Bankruptcy Court.

Break-Up Fee

If the Stalking Horse Purchaser is not the Successful Bidder and the Sale is consummated with a Successful Bidder pursuant to a Successful Bid, the Break-Up Fee shall be paid to the Stalking Horse Purchaser out of the first available proceeds received on account of the Successful Bid (the "Sale Proceeds") in accordance with the Stalking Horse Purchase Agreement; provided, however, that to the extent the Sale Proceeds do not cover the full amount of the Break-Up Fee, the Break-Up Fee shall be deemed an allowed expense of administration against Sellers and their estates under Section 503(b) of the Bankruptcy Code.

Return of Good-Faith Deposit

Each Good Faith Deposit shall be returned to each Qualified Bidder not selected by the Debtors as the Successful Bidder(s) or Alternative Bidder(s) by no later than the fifth (5th) Business Day following the conclusion of the Auction. The Good Faith Deposits of the Successful Bidder(s) and Alternative Bidder(s) will be retained in escrow until the earlier of (a) the closing of the Sale and (b) the permanent withdrawal of the Transferred Assets for sale by the Debtors. At the closing of the Sale contemplated by the Successful Bid, any Alternative Bidder(s)' Good Faith Deposit shall be returned to the Alternative Bidder(s) and the Successful Bidder(s) will be entitled to credit the amount of its Good Faith Deposit against the price paid for the Transferred Assets. If the Successful Bidder(s) fail to consummate the Sale because of a breach or failure to perform on the part of such Successful Bidder(s), the Successful Bidder(s)' Good Faith Deposit shall be forfeited to the Debtors as liquidated damages.

Beneficiaries; Modification of Procedures

No person or entity other than the Debtors and the Stalking Horse Purchaser shall be a beneficiary of or have a right to enforce these bidding procedures or the Bidding Process. The Debtors may amend these bidding procedures or the Bidding Process after consultation with the Creditors Committee, the Second Lien Noteholders Committee and the DIP Agent, *provided* that (a) no amendment inconsistent with the Stalking Horse Purchase Agreement may be made without the consent of the Stalking Horse Purchaser, such consent not to be unreasonably withheld, conditioned or delayed, and (b) no amendment to these Bidding Procedures shall affect the right of the Stalking Horse Purchaser to terminate the Stalking Horse Purchase Agreement, pursuant to the terms and conditions set forth therein, in the event of a delay in reaching the milestones specified therein.