

Letter of Comment No: 94 File Reference: 1125-001 Date Received: 12 30/02

December 20, 2002

Ms. Kimberley R. Petrone Director-Planning, Development, and Support Activities Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: File Reference No. 1125-001

Dear Ms. Petrone:

The Eastman Kodak Company ("Kodak") is pleased to comment on the Financial Accounting Standards Board's ("FASB") proposal, Principles-Based Approach To U.S. Standard Setting, ("Proposal").

Kodak is engaged primarily in the developing, manufacturing and marketing of traditional and digital imaging products, services and solutions for consumers, professionals, healthcare providers, the entertainment industry and other commercial customers. Kodak is the leader in helping people take, share, enhance, preserve, print and enjoy images-for memories, for information, and for entertainment.

In general, Kodak supports the notion of the Proposal. However, we are unsure as to whether users, particularly regulators, will be able to support principle-based standards. A financial reporting system predicated on rulebased standards has allowed regulators to easily determine when and where financial statements are compliant with generally accepted accounting principles (GAAP). Under a principles-based system, preparers and auditors will be required to use their professional judgment and discretion.

In the current dynamic environment that includes or will include a more proactive monitoring role by the SEC, it's difficult to understand if an approach based on principles, judgment, and discretion will function effectively. Such an approach will certainly provide the opportunity for challenge and second-guessing. Accordingly, we believe that its important for the SEC to acknowledge their support for this approach and explain how they plan to "enforce" such an approach before the FASB spend any resources on development or implementation. Upon receiving the support from the SEC, we believe that the FASB should develop an overall reporting framework as in IAS 1, Presentation of Financial Statements, and the framework should include a true and fair view override.

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The Board has recently stated its commitment to work towards producing high-quality worldwide reporting standards to support healthy global capital markets. We believe the creation of principle-based accounting standards in the United States will facilitate those efforts. Commercial global barriers are coming down and principle-based standards will create a consistent and comparable worldwide financial reporting system. That is, users will be able to make comparisons between entities operating in similar industries around the world. Several international standard-setting organizations, including the International Accounting Standards Board, currently issue principle-based standards.

We believe that some type of interpretive and implementation guidance will need to be provided to reduce some of the concerns about comparability, that is, that certain similar transactions and events covered by the standards are accounted for similarly by all entities. We believe that that guidance should be developed by a group of individuals responsible for implementing the principles, such as the EITF or a broad-based group that includes industry representatives. We believe that the FASB's responsibility should be to create a complete set of principles that could be applied year after year. We acknowledge, however, that it would be nearly impossible for the FASB to create a "timeless" set of principles so we believe that standards addressing specific and current events will need to be developed over time. However, we believe those standards should be premised on the same principle-based concepts with a true and fair view override.

In summary, we believe that principle-based standards if properly applied and accepted will improve the quality and transparency of financial accounting and reporting. We believe that financial statements properly incorporating professional judgment on the part of management, auditors, users and regulators will result in better representation of the economic substance of the underlying transactions and events.

We appreciate the opportunity to comment on the Proposal. If you have any questions regarding our comments or would like further information, please contact Gisele Dion, Director of Accounting Research, Policies, and Procedures at 585-724-6246.

Sincerely,

Robert P. Rozek

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cc: Richard S. Braddock
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