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Dear Canon ISG Authorized Full-line Dealer:

Beginning August 1, 2009, we have recalibrated the Flat Rate Warranty Program to more effectively cover in-warranty expenses for part and drum failures that have a dealer cost of \$300 or less.

What Is The Flat Rate Warranty Program?

The Flat Rate Warranty Program covers the cost of in-warranty failures of parts, drums, or drum units with a dealer cost of \$300 or less without your dealership submitting a warranty claim. On a monthly basis, credit is issued based on the amount of imageRUNNER, Color imageRUNNER, and imagePRESS engines, accessories, and drum purchases your dealership makes during the previous month. There have been two fixed reimbursement rates; 0.124% for imageRUNNER and Color imageRUNNER, and 0.397% for imagePRESS. We multiply the dollar amount of your eligible monthly purchases by the corresponding rate to calculate the credit amount issued to your dealership. This process eliminates the need for your employees to waste time and money submitting and processing warranty claims for low dollar-value parts.

What Is Changing and Why?

Annually, the Systems & Technical Support Division performs comprehensive evaluations of our flat rate offering's effectiveness to provide fair compensation. Over recent years, we have also worked with more than ten dealers recommended by the Dealer Advisory Council and performed comparisons of the cost of their actual part failures against the amount of flat rate warranty payments they received. In each case, the dealer was on the "winning end" of the cost versus reimbursement comparisons.

Recently, however, our testing has shown a consistent decrease in the cost of in-warranty failures of parts costing \$300 or less for monochrome imageRUNNERS and imagePRESS devices. Additionally, we found that the cost of in-warranty failures of parts costing \$300 or less for Color imageRUNNER devices requires creation of a separate category for these devices. Accordingly, we are lowering the rates for imageRUNNER and imagePRESS while creating a new category and rate for Color imageRUNNER. The following table shows new category names and the new rates.

<u>Product Category (example product)</u>	<u>New Flat Rate Reimbursement Rate</u>
Monochrome (imageRUNNER)	0.106%
Graphics Color (imagePRESS)	0.242%
Business Color (Color imageRUNNER)	0.250%

These new rates are in effect beginning with July 2009 purchases reflected in the Flat Rate Warranty credit your dealership receives during the first week of August. As in the past, your staff will be able to access and view a summary of your flat rate warranty credits on the Canon Network Access site (CNA).

We are confident this recalibration of our flat rate warranty support is an effective and welcome addition to our industry leading service cost support offerings. If you have any questions about these changes, please contact your Regional Service Manager or the Warranty Control Section in Lake Success at 516 328-5770.

Thank you for your continued support of our ISG products and solutions.

Sincerely,

Andy Falsetta
Director, Business Relations & Administration
Systems & Technical Support Division
Imaging Systems Group, Canon U.S.A., Inc.