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

FORM 10-Q

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

Commission file number: 1-3579

PITNEY BOWES INC.

(Exact name of registrant as specified in its charter)

Delaware	**06-0495050**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Elmcroft Road, Stamford, Connecticut	**06926-0700**
(Address of principal executive offices)	(Zip Code)

(203) 356-5000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of November 3, 2009.

Class	Outstanding
Common Stock, $1 par value per share	207,138,862 shares

PITNEY BOWES INC.
INDEX

PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited; in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenue:				
Equipment sales	**$ 225,759**	$ 296,520	**$ 714,780**	$ 910,883
Supplies	**83,464**	96,864	**253,466**	305,750
Software	**87,295**	100,092	**254,401**	314,617
Rentals	**163,711**	182,850	**487,992**	553,658
Financing	**171,228**	195,632	**528,534**	591,834
Support services	**177,607**	193,516	**531,200**	579,996
Business services	**447,756**	482,199	**1,344,493**	1,452,978
Total revenue	**1,356,820**	1,547,673	**4,114,866**	4,709,716
Costs and expenses:				
Cost of equipment sales	**124,819**	157,593	**387,674**	484,988
Cost of supplies	**23,785**	26,382	**68,495**	80,673
Cost of software	**19,413**	25,917	**60,480**	80,107
Cost of rentals	**40,508**	36,252	**114,372**	114,227
Financing interest expense	**23,975**	27,702	**73,865**	85,630
Cost of support services	**100,541**	113,581	**300,090**	343,507
Cost of business services	**335,406**	370,213	**1,033,933**	1,120,193
Selling, general and administrative	**435,931**	484,650	**1,317,410**	1,491,154
Research and development	**45,052**	53,008	**138,623**	156,176
Restructuring charges and asset impairments	**12,845**	49,229	**12,845**	85,137
Other interest expense	**27,244**	30,037	**84,548**	91,565
Interest income	**(668)**	(3,179)	**(3,153)**	(9,731)
Total costs and expenses	**1,188,851**	1,371,385	**3,589,182**	4,123,626
Income from continuing operations before income taxes	**167,969**	176,288	**525,684**	586,090
Provision for income taxes	**57,691**	69,456	**192,375**	215,389
Income from continuing operations	**110,278**	106,832	**333,309**	370,701
(Loss) gain from discontinued operations, net of income tax	**(2,429)**	(2,063)	**5,296**	(8,726)
Net income before attribution of noncontrolling interests	**107,849**	104,769	**338,605**	361,975
Less: Preferred stock dividends of subsidiaries attributable to noncontrolling interests	**4,622**	6,540	**13,714**	16,134
Pitney Bowes Inc. net income	**$ 103,227**	$ 98,229	**$ 324,891**	$ 345,841
Amounts attributable to Pitney Bowes Inc. common stockholders:				
Income from continuing operations	**$ 105,656**	$ 100,292	**$ 319,595**	$ 354,567
(Loss) gain from discontinued operations	**(2,429)**	(2,063)	**5,296**	(8,726)
Pitney Bowes Inc. net income	**$ 103,227**	$ 98,229	**$ 324,891**	$ 345,841
Basic earnings per share of common stock attributable to Pitney Bowes Inc. common stockholders (1):				
Continuing operations	**$ 0.51**	$ 0.48	**$ 1.55**	$ 1.70
Discontinued operations	**(0.01)**	(0.01)	**0.03**	(0.04)
Net income	[illegible]	[illegible]	[illegible]	[illegible]

Net income	**$ 0.50**	$ 0.47	**$ 1.57**	$ 1.65
Diluted earnings per share of common stock attributable to Pitney Bowes Inc. common stockholders (1):				
Continuing operations	**$ 0.51**	$ 0.48	**$ 1.54**	$ 1.68
Discontinued operations	**(0.01)**	(0.01)	**0.03**	(0.04)
Net income	**$ 0.50**	$ 0.47	**$ 1.57**	$ 1.64
Dividends declared per share of common stock	**$ 0.36**	$ 0.35	**$ 1.08**	$ 1.05

(1) The sum of the earnings per share amounts may not equal the totals above due to rounding.

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited; in thousands, except share and per share data)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 441,128**	$ 376,671
Short-term investments	**17,660**	21,551
Accounts receivables, gross	**818,389**	924,886
Allowance for doubtful accounts receivables	**(46,312)**	(45,264)
Accounts receivables, net	**772,077**	879,622
Finance receivables	**1,408,964**	1,501,678
Allowance for credit losses	**(43,333)**	(45,932)
Finance receivables, net	**1,365,631**	1,455,746
Inventories	**176,626**	161,321
Current income taxes	**73,386**	59,594
Other current assets and prepayments	**98,736**	78,108
Total current assets	**2,945,244**	3,032,613
Property, plant and equipment, net	**529,079**	574,260
Rental property and equipment, net	**374,021**	397,949
Finance receivables	**1,396,007**	1,445,822
Allowance for credit losses	**(25,547)**	(25,858)
Finance receivables, net	**1,370,460**	1,419,964
Investment in leveraged leases	**231,088**	201,921
Goodwill	**2,294,594**	2,251,830
Intangible assets, net	**319,040**	375,822
Non-current income taxes	**66,280**	64,387
Other assets	**414,215**	417,685
Total assets	**$ 8,544,021**	$ 8,736,431
LIABILITIES, NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 1,693,697**	$ 1,922,399
Current income taxes	**112,908**	108,662
Notes payable and current portion of long-term obligations	**170,783**	770,501
Advance billings	**452,380**	441,556
Total current liabilities	**2,429,768**	3,243,118
Deferred taxes on income	**366,721**	254,353
Tax uncertainties and other income tax liabilities	**293,476**	294,487
Long-term debt	**4,218,646**	3,934,865
Other non-current liabilities	**783,750**	823,322
Total liabilities	**8,092,361**	8,550,145
Noncontrolling interests (Preferred stockholders' equity in subsidiaries)	**374,165**	374,165
Commitments and contingencies (See Note 18)		
Stockholders' equity (deficit):		
Cumulative preferred stock, $50 par value, 4% convertible	**4**	7
Cumulative preference stock, no par value, $2.12 convertible	**876**	976
Common stock, $1 par value (480,000,000 shares authorized; 323,337,912 shares issued)	**323,338**	323,338
Additional paid-in capital	**251,273**	259,306
Retained earnings	**4,380,513**	4,278,804

Accumulated other comprehensive loss	**(461,550)**	(596,341)
Treasury stock, at cost (116,174,612 and 117,156,719 shares, respectively)	**(4,416,959)**	(4,453,969)
Total Pitney Bowes Inc. stockholders’ equity (deficit)	**77,495**	(187,879)
Total liabilities, noncontrolling interests and stockholders’ equity (deficit)	**$ 8,544,021**	$ 8,736,431

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Cash flows from operating activities:		
Net income before attribution of noncontrolling interests	**$ 338,605**	$ 361,975
Restructuring charges, net of tax	**8,300**	61,864
Restructuring payments	**(66,757)**	(65,858)
Payments for settlement of derivative instruments	**(20,281)**	—
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**262,683**	288,589
Stock-based compensation	**16,964**	19,563
Changes in operating assets and liabilities, excluding effects of acquisitions:		
(Increase) decrease in accounts receivables	**134,789**	(2,390)
(Increase) decrease in finance receivables	**203,588**	74,288
(Increase) decrease in inventories	**(6,844)**	(17,035)
(Increase) decrease in prepaid, deferred expense and other assets	**(14,787)**	(3,433)
Increase (decrease) in accounts payable and accrued liabilities	**(195,842)**	(94,858)
Increase (decrease) in current and non-current income taxes	**73,457**	93,471
Increase (decrease) in advance billings	**1,002**	21,831
Increase (decrease) in other operating capital, net	**(2,453)**	18,052
Net cash provided by operating activities	**732,424**	756,059
Cash flows from investing activities:		
Short-term and other investments	**(19,616)**	21,682
Capital expenditures	**(126,509)**	(169,978)
Net investment in external financing	**(1,216)**	(831)
Acquisitions, net of cash acquired	**—**	(68,976)
Reserve account deposits	**(6,236)**	16,617
Net cash used in investing activities	**(153,577)**	(201,486)
Cash flows from financing activities:		
Increase (decrease) in notes payable, net	**(445,460)**	423,899
Proceeds from long-term obligations	**297,513**	245,582
Principal payments on long-term obligations	**(150,000)**	(574,585)
Proceeds from issuance of common stock	**8,984**	16,561
Payments to redeem preferred stock issued by a subsidiary	**—**	(10,000)
Stock repurchases	**—**	(333,231)
Dividends paid to common stockholders	**(223,182)**	(219,447)
Dividends paid to noncontrolling interests	**(13,714)**	(16,134)
Net cash used in financing activities	**(525,859)**	(467,355)
Effect of exchange rate changes on cash and cash equivalents	**11,469**	(5,608)
Increase in cash and cash equivalents	**64,457**	81,610
Cash and cash equivalents at beginning of period	**376,671**	377,176
Cash and cash equivalents at end of period	**$ 441,128**	$ 458,786
Cash interest paid	**$ 169,219**	$ 209,601
Cash income taxes paid, net	**$ 133,808**	$ 125,745

See Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The terms “we”, “us”, and “our” are used in this report to refer collectively to Pitney Bowes Inc. and its subsidiaries.

The accompanying unaudited Condensed Consolidated Financial Statements of Pitney Bowes Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In addition, the December 31, 2008 condensed consolidated balance sheet data was derived from audited financial statements, which were revised in the current period to reflect presentation changes for the new noncontrolling interests accounting guidance, but does not include all disclosures required by accounting principles generally accepted in the United States of America. In our opinion, all adjustments (consisting of only normal recurring adjustments) considered necessary to present fairly our financial position at September 30, 2009 and December 31, 2008, our results of operations for the three and nine months ended September 30, 2009 and 2008 and our cash flows for the three and nine months ended September 30, 2009 and 2008 have been included. Operating results for the three and nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for any other interim period or the year ending December 31, 2009.

These statements should be read in conjunction with the financial statements and notes thereto included in our 2008 Annual Report to Stockholders on Form 10-K.

Certain prior year amounts have been reclassified to conform with the current period presentation. Beginning in the second quarter of 2009, we have separately presented a financing interest expense line item, which represents our estimated cost of borrowing associated with the generation of financing revenues, in the Condensed Consolidated Statements of Income. In computing our financing interest expense, we assumed a 10:1 leveraging ratio of debt to equity and applied our overall effective interest rate to the average outstanding finance receivables.

We have evaluated subsequent events through November 6, 2009, the date of issuance of the unaudited condensed consolidated financial statements. During this period we did not have any material recognizable subsequent events. We did, however, have non-recognizable subsequent events due to the issuance of perpetual voting preferred stock and the redemption of variable term voting preferred stock by a subsidiary of the Company. See Note 12 to the Condensed Consolidated Financial Statements for additional information. In addition, we had a non-recognizable subsequent event for a legal matter. See Note 18 to the Condensed Consolidated Financial Statements for additional information.

2. Nature of Operations

We are a provider of leading-edge, global, integrated mail and document management solutions for organizations of all sizes. We operate in two business groups: Mailstream Solutions and Mailstream Services. Mailstream Solutions includes worldwide revenue and related expenses from the sale, rental, and financing of mail finishing, mail creation, shipping equipment and software; production mail equipment; supplies; mailing support and other professional services; payment solutions; and mailing, customer communication and location intelligence software. Mailstream Services includes worldwide revenue and related expenses from facilities management services; secure mail services; reprographics, document management, and other value-added services for targeted customer markets; mail services operations, which include presort mail services and international mail services; and marketing services. See Note 7 to the Condensed Consolidated Financial Statements for details of our reporting segments and a description of their activities.

3. Recent Accounting Pronouncements

FAIR VALUE MEASUREMENTS

On January 1, 2008, we adopted new accounting guidance on fair value measurements. The new guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It was effective for certain financial assets and liabilities on January 1, 2008 and for all nonfinancial assets and liabilities recognized or disclosed at fair value on a nonrecurring basis on January 1, 2009. The adoption of this guidance has not had a material impact on our financial position, results of operations, or cash flows. See Note 17 to the Condensed Consolidated Financial Statements for additional discussion on fair value measurements.

(Unaudited; tabular dollars in thousands, except for per share data)

DISCLOSURES ABOUT DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

On January 1, 2009, we adopted new accounting guidance on disclosures about derivative instruments and hedging activities. The new guidance impacts disclosures only and requires additional qualitative and quantitative information on the use of derivatives and their impact on an entity's financial position, results of operations and cash flows. See Note 17 to the Condensed Consolidated Financial Statements for additional information regarding our derivative instruments and hedging activities.

BUSINESS COMBINATIONS

On January 1, 2009, we adopted new accounting guidance on business combinations. The new guidance revises principles and requirements for how a company (a) recognizes and measures in their financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest (previously referred to as minority interest); (b) recognizes and measures the goodwill acquired in a business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a business combination. Some of the major impacts of this new guidance include expense recognition for transaction costs and restructuring costs. The adoption of this guidance has not had a material impact on our financial position, results of operations, or cash flows.

NONCONTROLLING INTERESTS

On January 1, 2009, we adopted new accounting guidance on noncontrolling interests. The new guidance addresses the accounting and reporting for the outstanding noncontrolling interest (previously referred to as minority interest) in a subsidiary and for the deconsolidation of a subsidiary. It also establishes additional disclosures in the consolidated financial statements that identify and distinguish between the interests of the parent's owners and of the noncontrolling owners of a subsidiary. The guidance requires retroactive adoption of the presentation and disclosure requirements for existing minority interests while all other requirements of the guidance are applied prospectively.

REVENUE RECOGNITION

In September 2009, new guidance was introduced addressing the accounting for revenue arrangements with multiple elements and certain revenue arrangements that include software elements. The new literature will allow companies to allocate arrangement consideration in a multiple element arrangement in a way that better reflects the economics of the transaction. This will result in the elimination of the residual method model. In addition, tangible products that have software components that are "essential to the functionality" of the tangible product will be scoped out of the software revenue guidance. The new guidance will also result in more expansive disclosures. The new guidance will be effective on January 1, 2011, with early adoption permitted. We are currently evaluating the impact of adopting the new guidance.

4. Discontinued Operations

The following table shows selected financial information included in discontinued operations for the three and nine months ended September 30, 2009 and 2008, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Pre-tax income	**$ —**	$ —	**$ 20,624**	$ —
Tax provision	**(2,429)**	(2,063)	**(15,328)**	(8,726)
(Loss) gain from discontinued operations, net of tax	**$ (2,429)**	$ (2,063)	**$ 5,296**	$ (8,726)

Net losses for the three months ended September 30, 2009 and September 30, 2008 relate to the accrual of interest on uncertain tax positions.

Pre-tax income for the nine months ended September 30, 2009 includes $9.8 million of pre-tax income ($6.0 million net of tax) for a bankruptcy settlement received during the first quarter of 2009 pertaining to the leasing of certain aircraft from our former Capital Services business which was sold in 2006, and $10.9 million of pre-tax income ($6.7 million net of tax) representing the release of reserves during the second quarter of 2009 related to the expiration of an indemnity agreement in April 2009 also associated with the sale of Capital Services. This income was partly offset by the accrual of interest on uncertain tax positions. The net loss for the nine months ended September 30, 2008 relates to the accrual of interest on uncertain tax positions.

(Unaudited; tabular dollars in thousands, except for per share data)

5. Acquisitions

On April 21, 2008, we acquired Zipsort, Inc. for $40 million in cash, net of cash acquired. Zipsort, Inc. acts as an intermediary between customers and the U.S. Postal Service. Zipsort, Inc. offers mailing services that include presorting of first class, standard class, flats, permit and international mail as well as metering services. We assigned the goodwill to the Mail Services segment.

The following table summarizes selected financial data for the opening balance sheet of the Zipsort, Inc. acquisition in 2008:

	2008
	Zipsort, Inc.
Purchase price allocation:	
Current assets	$ 708
Other non-current assets	11,707
Intangible assets	7,942
Goodwill	25,294
Current liabilities	(2,975)
Non-current liabilities	(2,885)
Purchase price, net of cash acquired	$ 39,791
Intangible assets:	
Customer relationships	$ 7,658
Non-compete agreements	284
Total intangible assets	$ 7,942
Intangible assets amortization period:	
Customer relationships	15 years
Non-compete agreements	4 years
Total weighted average	15 years

There were no acquisitions during the nine months ended September 30, 2009.

During the nine months ended September 30, 2008, we also completed five smaller acquisitions with an aggregate cost of $29.7 million. These acquisitions did not have a material impact on our financial results.

No tax deductible goodwill was added during the nine months ended September 30, 2009. The amount of tax deductible goodwill added from acquisitions for the nine months ended September 30, 2008 was $27.4 million.

Consolidated impact of acquisitions

The Condensed Consolidated Financial Statements include the results of operations of the acquired businesses from their respective dates of acquisition. These acquisitions increased our revenue and earnings but, including related financing costs, did not materially impact earnings either on an aggregate or per share basis.

(Unaudited; tabular dollars in thousands, except for per share data)

The following table provides unaudited pro forma consolidated revenue for the three and nine months ended September 30, 2009 and 2008 as if our acquisitions had been acquired on January 1 of each year:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Total revenue	**$1,356,820**	$1,547,673	**$4,114,866**	$4,730,176

The pro forma earnings results of these acquisitions were not material to net income or earnings per share. The pro forma consolidated results do not purport to be indicative of actual results that would have occurred had the acquisitions been completed on January 1, 2009 and 2008, nor do they purport to be indicative of the results that will be obtained in the future.

6. Earnings per Share

A reconciliation of the basic and diluted earnings per share computations for the three months ended September 30, 2009 and 2008 is as follows:

	2009			2008		
	Income	Weighted Average Shares	Per Share	Income	Weighted Average Shares	Per Share
Pitney Bowes Inc. net income	**$103,227**			$ 98,229		
Less:						
Preferred stock dividends	**—**			—		
Preference stock dividends	**(17)**			(19)		
Basic earnings per share	**$103,210**	**207,076**	**$ 0.50**	$ 98,210	207,309	$ 0.47
Effect of dilutive securities:						
Data for basic earnings per share	**$103,210**	**207,076**		$ 98,210	207,309	
Preferred stock	**—**	**3**		—	3	
Preference stock	**17**	**554**		19	598	
Stock options and stock purchase plans	**—**	**5**		—	648	
Other stock plans	**—**	**6**		—	98	
Diluted earnings per share	**$103,227**	**207,644**	**$ 0.50**	$ 98,229	208,656	$ 0.47

	2009 Per Share	2008 Per Share
Basic earnings per share of common stock attributable to Pitney Bowes Inc. common stockholders:		
Continuing operations	**$ 0.51**	$ 0.48
Discontinued operations	**(0.01)**	(0.01)
Net income	**$ 0.50**	$ 0.47

	2009 Per Share	2008 Per Share
Diluted earnings per share of common stock attributable to Pitney Bowes Inc. common stockholders:		
Continuing operations	**$ 0.51**	$ 0.48
Discontinued operations	**(0.01)**	(0.01)
Net income	**$ 0.50**	$ 0.47

Note: The sum of the earnings per share amounts may not equal the totals above due to rounding.

(Unaudited; tabular dollars in thousands, except for per share data)

A reconciliation of the basic and diluted earnings per share computations for the nine months ended September 30, 2009 and 2008 is as follows:

	2009			2008		
	Income	Weighted Average Shares	Per Share	Income	Weighted Average Shares	Per Share
Pitney Bowes Inc. net income	**$324,891**			$345,841		
Less:						
Preferred stock dividends	**—**			—		
Preference stock dividends	**(55)**			(58)		
Basic earnings per share	**$324,836**	**206,610**	**$ 1.57**	$345,783	209,113	$ 1.65
Effect of dilutive securities:						
Data for basic earnings per share	**$324,836**	**206,610**		$345,783	209,113	
Preferred stock	**—**	**3**		—	3	
Preference stock	**55**	**578**		58	602	
Stock options and stock purchase plans	**—**	**2**		—	784	
Other stock plans	**—**	**5**		—	85	
Diluted earnings per share	**$324,891**	**207,198**	**$ 1.57**	$345,841	210,587	$ 1.64

	2009 Per Share	2008 Per Share
Basic earnings per share of common stock attributable to Pitney Bowes Inc. common stockholders:		
Continuing operations	**$ 1.55**	$ 1.70
Discontinued operations	**0.03**	(0.04)
Net income	**$ 1.57**	$ 1.65

	2009 Per Share	2008 Per Share
Diluted earnings per share of common stock attributable to Pitney Bowes Inc. common stockholders:		
Continuing operations	**$ 1.54**	$ 1.68
Discontinued operations	**0.03**	(0.04)
Net income	**$ 1.57**	$ 1.64

Note: The sum of the earnings per share amounts may not equal the totals above due to rounding.

Approximately 6.2 million and 2.5 million common stock equivalent shares for the three months ended September 30, 2009 and 2008, respectively, and 6.4 million and 2.1 million common stock equivalent shares for the nine months ended September 30, 2009 and 2008, respectively, issuable upon the exercise of stock options were excluded from the above computations because the exercise prices of such options were greater than the average market price of the common stock and therefore the impact of these shares was anti-dilutive.

On February 9, 2009, we made our annual stock compensation grant which consisted of approximately 1.6 million stock options and 0.8 million restricted stock units.

7. Segment Information

We conduct our business activities in seven business segments within the Mailstream Solutions and Mailstream Services business groups. We calculate earnings before interest and taxes ("EBIT") by deducting from revenue the related costs and expenses attributable to the segment. EBIT, a non-GAAP measure, is useful to management in demonstrating the operational profitability of the segments by excluding interest and taxes, which are generally managed across the entire company on a consolidated basis. Segment EBIT also excludes general corporate expenses, restructuring charges and asset impairments.

As a result of certain organizational changes made during the third quarter of 2009, we have reclassified certain prior year amounts to conform to the current year presentation. The amounts reclassified did not have a material impact to our segment disclosures.

Mailstream Solutions:

U.S. Mailing: Includes the U.S. revenue and related expenses from the sale, rental and financing of our mail finishing, mail creation, shipping equipment and software; supplies; support and other professional services; and payment solutions.

International Mailing: Includes the non-U.S. revenue and related expenses from the sale, rental and financing of our mail finishing, mail creation, shipping equipment and software; supplies; support and other professional services; and payment solutions.

Production Mail: Includes the worldwide revenue and related expenses from the sale, financing, support and other professional services of our high-speed, production mail systems and sorting equipment.

Software: Includes the worldwide revenue and related expenses from the sale and support services of non-equipment-based mailing, customer communication and location intelligence software.

Mailstream Services:

Management Services: Includes worldwide facilities management services; secure mail services; reprographic, document management services; and litigation support and eDiscovery services.

Mail Services: Includes presort mail services and cross-border mail services.

Marketing Services: Includes direct marketing services for targeted customers.

(Unaudited; tabular dollars in thousands, except for per share data)

Revenue and EBIT by business segment for the three and nine months ended September 30, 2009 and 2008 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Revenue:				
U.S. Mailing	**$ 491,036**	$ 558,038	**$ 1,517,377**	$ 1,687,229
International Mailing	**224,681**	271,727	**679,893**	882,145
Production Mail	**126,434**	154,554	**366,000**	439,358
Software	**82,361**	94,221	**240,559**	296,134
Mailstream Solutions	**924,512**	1,078,540	**2,803,829**	3,304,866
Management Services	**259,370**	287,989	**789,635**	891,078
Mail Services	**134,042**	139,689	**413,891**	399,875
Marketing Services	**38,896**	41,455	**107,511**	113,897
Mailstream Services	**432,308**	469,133	**1,311,037**	1,404,850
Total revenue	**$ 1,356,820**	$ 1,547,673	**$ 4,114,866**	$ 4,709,716

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
EBIT: (1)				
U.S. Mailing	**$ 178,066**	$ 221,179	**$ 561,232**	$ 663,469
International Mailing	**29,193**	41,123	**87,201**	142,520
Production Mail	**11,494**	23,183	**26,974**	47,116
Software	**8,241**	3,167	**16,064**	15,962
Mailstream Solutions	**226,994**	288,652	**691,471**	869,067
Management Services	**19,517**	16,064	**49,294**	52,931
Mail Services	**23,024**	15,467	**63,322**	49,836
Marketing Services	**7,448**	8,088	**17,323**	15,558
Mailstream Services	**49,989**	39,619	**129,939**	118,325
Total EBIT	**276,983**	328,271	**821,410**	987,392
Unallocated amounts:				
Interest, net (2)	**(50,551)**	(54,560)	**(155,260)**	(167,464)
Corporate expenses	**(45,618)**	(48,194)	**(127,621)**	(148,701)
Restructuring charges and asset impairments	**(12,845)**	(49,229)	**(12,845)**	(85,137)
Income from continuing operations before income taxes	**$ 167,969**	$ 176,288	**$ 525,684**	$ 586,090

(1) Earnings before interest and taxes excludes general corporate expenses, restructuring charges, and asset impairments.

(2) Interest, net includes financing interest expense, other interest expense and interest income.

(Unaudited; tabular dollars in thousands, except for per share data)

8. Inventories

Inventories are composed of the following:

	September 30, 2009	December 31, 2008
Raw materials and work in process	**$ 43,803**	$ 41,171
Supplies and service parts	**81,734**	78,018
Finished products	**51,089**	42,132
Total	**$ 176,626**	$ 161,321

9. Fixed Assets

	September 30, 2009	December 31, 2008
Property, plant and equipment	**$ 1,810,482**	$ 1,880,422
Accumulated depreciation	**(1,281,403)**	(1,306,162)
Property, plant and equipment, net	**$ 529,079**	$ 574,260
Rental property and equipment	**$ 745,089**	$ 932,389
Accumulated depreciation	**(371,068)**	(534,440)
Rental property and equipment, net	**$ 374,021**	$ 397,949

Depreciation expense was $70.1 million and $76.3 million for the three months ended September 30, 2009 and 2008, respectively. Depreciation expense was $209.7 million and $235.2 million for the nine months ended September 30, 2009 and 2008, respectively.

10. Intangible Assets and Goodwill

Intangible assets are composed of the following:

	September 30, 2009			December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	**$429,895**	**$(188,019)**	**$241,876**	$423,169	$ (154,619)	$268,550
Supplier relationships	**29,000**	**(12,567)**	**16,433**	29,000	(10,392)	18,608
Software & technology	**145,276**	**(93,144)**	**52,132**	155,035	(78,982)	76,053
Trademarks & trade names	**23,744**	**(15,578)**	**8,166**	25,071	(13,310)	11,761
Non-compete agreements	**2,238**	**(1,805)**	**433**	2,652	(1,802)	850
Total intangible assets	**$630,153**	**$ (311,113)**	**$319,040**	$634,927	$ (259,105)	$375,822

Amortization expense for intangible assets for the three months ended September 30, 2009 and 2008 was $17.4 million and $18.4 million, respectively. Amortization expense for intangible assets for the nine months ended September 30, 2009 and 2008 was $53.0 million and $53.4 million, respectively.

(Unaudited; tabular dollars in thousands, except for per share data)

The estimated future amortization expense related to intangible assets is as follows:

	Amount
Remaining for year ended December 31, 2009	$ 18,000
Year ended December 31, 2010	61,000
Year ended December 31, 2011	49,000
Year ended December 31, 2012	44,000
Year ended December 31, 2013	37,000
Thereafter	110,040
Total	$ 319,040

Changes in the carrying amount of goodwill by business segment for the nine months ended September 30, 2009 are as follows:

	Balance at December 31, 2008 (1)	Acquired during the period	Other (2)	Balance at September 30, 2009
U.S. Mailing	$ 221,315	**$ —**	**$ (2,210)**	**$ 219,105**
International Mailing	322,230	**—**	**29,867**	**352,097**
Production Mail	137,067	**—**	**3,044**	**140,111**
Software	623,995	**—**	**9,236**	**633,231**
Mailstream Solutions	1,304,607	**—**	**39,937**	**1,344,544**
Management Services	491,633	**—**	**4,068**	**495,701**
Mail Services	260,793	**—**	**(1,241)**	**259,552**
Marketing Services	194,797	**—**	**—**	**194,797**
Mailstream Services	947,223	**—**	**2,827**	**950,050**
Total	$ 2,251,830	**$ —**	**$ 42,764**	**$ 2,294,594**

(1) We have reclassified certain prior year amounts to conform to the current year presentation. See Note 7 for further details.

(2) “Other” includes post closing acquisition and foreign currency translation adjustments.

11. Long-term Debt

On September 15, 2009, we repaid the 8.55% notes with a $150 million face value. The repayment of these notes was funded through cash generated from operations and issuance of commercial paper. The notes were reported in current portion of long-term debt at December 31, 2008.

On June 29, 2009, we entered into an interest rate swap for an aggregate notional amount of $100 million to effectively convert our interest payments on a portion of the $400 million, 4.625% fixed rate notes due in 2012, into variable interest rates. The variable rates payable are based on one month LIBOR plus 249 basis points. In July 2009, we entered into three additional interest rate swaps for an aggregate notional amount of $300 million to effectively convert our interest payments on the remainder of the $400 million, 4.625% fixed rate notes due in 2012, into variable interest rates. The variable rates payable are based on one month LIBOR plus 248 basis points for $100 million notional amount and one month LIBOR plus 250 basis points for $200 million notional amount.

On March 2, 2009, we issued $300 million of 10-year fixed-rate notes with a coupon rate of 6.25%. The interest is paid semi-annually beginning September 15, 2009. The notes mature on March 15, 2019. We simultaneously unwound four forward starting swap agreements (forward swaps) used to hedge the interest rate risk associated with the forecasted issuance of the fixed-rate debt. The unwind of the derivatives resulted in a loss (and cash payment) of $20.3 million which was recorded to other comprehensive income, net of tax, and will be amortized to net interest expense over the 10-year term of the notes. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper.

(Unaudited; tabular dollars in thousands, except for per share data)

On March 4, 2008, we issued $250 million of 10-year fixed-rate notes with a coupon rate of 5.60%. The interest is paid semi-annually beginning September 15, 2008. The notes mature on March 15, 2018. We simultaneously entered into two interest rate swaps for a total notional amount of $250 million to convert the fixed-rate notes to a floating rate obligation bearing interest at 6 month LIBOR plus 111.5 basis points. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper and repurchase of our stock.

12. Noncontrolling Interests (Preferred Stockholders' Equity in Subsidiaries)

Pitney Bowes International Holdings, Inc. ("PBIH"), a subsidiary of the Company, has 3,750,000 shares outstanding or $375 million of variable term voting preferred stock owned by certain outside institutional investors. These preferred shares are entitled to 25% of the combined voting power of all classes of capital stock of PBIH. All outstanding common stock of PBIH, representing the remaining 75% of the combined voting power of all classes of capital stock, is owned directly or indirectly by Pitney Bowes Inc. The preferred stock, $.01 par value, is entitled to cumulative dividends at rates set at auction. The weighted average dividend rate was 4.8% for the three months and nine months ended September 30, 2009 and 2008, respectively. Preferred dividends are included in noncontrolling interests (preferred stock dividends of subsidiaries) in the Condensed Consolidated Statements of Income. The preferred stock is subject to mandatory redemption based on certain events, at a redemption price not less than $100 per share, plus the amount of any dividends accrued or in arrears. No dividends were in arrears at September 30, 2009, December 31, 2008 or September 30, 2008. A rollforward of noncontrolling interests is as follows:

Beginning balance, January 1, 2008	$ 384,165
Movements:	
Share redemptions (1)	(10,000)
Ending balance, December 31, 2008 and September 30, 2009	**$ 374,165**

(1) At December 31, 2007, a subsidiary of the Company had 100 shares or $10 million of 9.11% Cumulative Preferred Stock, mandatorily redeemable in 20 years, owned by an institutional investor. In August 2008, we redeemed 100% of this Preferred Stock resulting in a net loss of $1.8 million.

In October 2009, PBIH issued $300 million of perpetual voting preferred stock to certain outside institutional investors. These preferred shares are entitled to 25% of the combined voting power of all classes of capital stock of PBIH. All outstanding common stock of PBIH, representing the remaining 75% of the combined voting power of all classes of capital stock, is owned directly or indirectly by Pitney Bowes Inc. The preferred stock is entitled to cumulative dividends at a rate of 6.125% for a period of 7 years after which they become callable and, if remain outstanding, will yield a dividend that increases by 150% every six months thereafter.

In October 2009, PBIH redeemed $344 million of its existing variable term preferred stock. The redemption was funded by a combination of the issuance of the $300 million perpetual voting preferred stock and commercial paper.

(Unaudited; tabular dollars in thousands, except for per share data)

13. Comprehensive Income

Comprehensive income for the three and nine months ended September 30, 2009 and 2008 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Pitney Bowes Inc. net income	**$ 103,227**	$ 98,229	**$ 324,891**	$ 345,841
Other comprehensive income, net of tax:				
Foreign currency translation adjustments (1)	**67,778**	(144,453)	**115,512**	(106,340)
Net unrealized (loss) gain on derivatives	**(319)**	(614)	**6,195**	189
Net unrealized gain (loss) on investment securities	**139**	(178)	**(91)**	(253)
Amortization of pension and postretirement costs	**4,423**	3,505	**13,175**	10,636
Comprehensive income	**$ 175,248**	$ (43,511)	**$ 459,682**	$ 250,073

(1) Includes a net deferred translation gain of $3.4 million and a net deferred translation loss of $13.7 million for the three months ended September 30, 2009 and 2008, respectively. For the nine months ended September 30, 2009 and 2008, a net deferred translation loss of $8.6 million and $3.7 million, respectively, were recorded. These amounts are associated with intercompany loans denominated in a foreign currency that have been designated as a hedge of net investment.

14. Restructuring Charges and Asset Impairments

During the third quarter of 2009, we have undertaken a strategic transformation process designed to create long-term flexibility to invest in future growth. We are currently completing the diagnostic phase of this project and are analyzing a wide range of opportunities for process and operational improvements in areas such as our global customer interactions and product development processes. The restructuring charge in the current quarter represents costs associated with initial actions identified as part of the diagnostic phase of this project. The future benefits and related costs, which could be significant, will be recognized as actions are approved and implemented.

During the third quarter of 2009, we recorded pre-tax restructuring charges of $12.8 million, of which $10.0 million relates to severance and benefit costs and $2.8 million relates to other exit costs. As of September 30, 2009, 158 employee terminations have occurred under this strategic transformation project. The majority of the liability at September 30, 2009 is expected to be paid during the next twelve months from cash generated from operations.

Pre-tax restructuring reserves at September 30, 2009 for the restructuring actions taken in the third quarter of 2009 are composed of the following:

	Balance at July 1, 2009	Expenses	Cash payments	Non-cash charges	Balance at September 30, 2009
Severance and benefit costs	$ —	**$ 10,040**	**$ (801)**	**$ —**	**$ 9,239**
Other exit costs	—	**2,805**	**(1,232)**	**—**	**1,573**
Total	$ —	**$ 12,845**	**$ (2,033)**	**$ —**	**$ 10,812**

We recorded pre-tax restructuring charges and asset impairments during 2008 and 2007. These charges primarily related to a program we announced in November 2007 to lower our cost structure, accelerate efforts to improve operational efficiencies, and transition our product line.

(Unaudited; tabular dollars in thousands, except for per share data)

As of September 30, 2009, 2,904 terminations have occurred under this program and approximately 300 additional positions have been eliminated since the inception of the program. The majority of the liability at September 30, 2009 is expected to be paid during the next twelve months from cash generated from operations.

Pre-tax restructuring reserves at September 30, 2009 for the restructuring program announced in 2007 are composed of the following:

	Balance at December 31, 2008	Expenses	Cash payments	Non-cash charges	Balance at September 30, 2009
Severance and benefit costs	$108,431	$ —	$ (55,454)	$ —	$ 52,977
Other exit costs	32,678	—	(9,270)	—	23,408
Total	$141,109	$ —	$ (64,724)	$ —	$ 76,385

15. Pensions and Other Benefit Programs

Defined Benefit Pension Plans

The components of net periodic benefit cost for defined benefit pension plans for the three months ended September 30, 2009 and 2008 are as follows:

	United States		Foreign	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2009	2008	2009	2008
Service cost	$ 6,128	$ 7,662	$ 1,772	$ 2,688
Interest cost	23,745	24,050	6,567	7,436
Expected return on plan assets	(30,009)	(33,175)	(7,107)	(9,362)
Amortization of transition (credit) cost	—	—	(2)	31
Amortization of prior service (credit) cost	(637)	(616)	119	164
Amortization of net loss	6,593	4,652	644	1,015
Net periodic benefit cost	$ 5,820	$ 2,573	$ 1,993	$ 1,972

The components of net periodic benefit cost for defined benefit pension plans for the nine months ended September 30, 2009 and 2008 are as follows:

	United States		Foreign	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Service cost	$ 18,384	$ 21,724	$ 5,047	$ 8,266
Interest cost	71,231	72,430	18,576	22,915
Expected return on plan assets	(90,021)	(99,567)	(20,090)	(28,864)
Amortization of transition (credit) cost	—	—	(6)	95
Amortization of prior service (credit) cost	(1,911)	(1,886)	334	504
Amortization of net loss	19,779	14,418	1,835	3,129
Net periodic benefit cost	$ 17,462	$ 7,119	$ 5,696	$ 6,045

We are revising our expected 2009 pension plan contributions. We now expect to contribute up to $18 million each to the U.S. and foreign plans for the year. However, we will continue to reassess our funding alternatives as the year progresses. At September 30, 2009, $13.2 million and $10.4 million of contributions have been made to the U.S. and foreign pension plans, respectively.

(Unaudited; tabular dollars in thousands, except for per share data)

Our pension funds' actual asset returns have been in line with our portfolio benchmark indices. Our funded status will be highly dependent on the market returns and the prevailing discount rate used to value our year-end obligations.

Nonpension Postretirement Benefit Plans

The components of net periodic benefit cost for nonpension postretirement benefit plans for the three and nine months ended September 30, 2009 and 2008 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Service cost	**$ 918**	$ 919	**$ 2,730**	$ 2,703
Interest cost	**3,669**	3,704	**10,959**	10,619
Amortization of prior service credit	**(618)**	(618)	**(1,858)**	(1,854)
Amortization of net loss	**1,035**	911	**3,103**	2,388
Net periodic benefit cost	**$ 5,004**	$ 4,916	**$ 14,934**	$ 13,856

For the three months ended September 30, 2009 and 2008, we made $7.9 million and $6.6 million of contributions representing benefit payments, respectively. For the nine months ended September 30, 2009 and 2008, we made $21.3 million and $23.7 million of contributions representing benefit payments, respectively.

16. Income Taxes

The effective tax rate for the three months ended September 30, 2009 and 2008 was 34.3% and 39.4%, respectively. The effective tax rate for the nine months ended September 30, 2009 and 2008 was 36.6% and 36.8%, respectively. The year-to-date 2009 tax rate was increased by a $12.2 million write-off of deferred tax assets associated with the expiration of out-of-the-money vested stock options and the vesting of stock units previously granted to our employees. This write-off of deferred tax assets will not require us to pay any taxes. The year-to-date 2008 tax rate was increased by a tax accrual associated with lease refunds in the U.K. and Ireland of $6.5 million and the impact of a low tax benefit associated with restructuring expenses recorded during 2008.

We regularly assess the likelihood of tax adjustments in each of the tax jurisdictions in which we have operations and account for the related financial statement implications. Tax reserves have been established which we believe to be appropriate given the possibility of tax adjustments. Determining the appropriate level of tax reserves requires us to exercise judgment regarding the uncertain application of tax law. The amount of reserves is adjusted when information becomes available or when an event occurs indicating a change in the reserve is appropriate. Future changes in tax reserve requirements could have a material impact on our results of operations.

We are continually under examination by tax authorities in the United States, other countries and local jurisdictions in which we have operations. The years under examination vary by jurisdiction. The current IRS exam of tax years 2001-2004 is estimated to be completed within the next two years and the examination of years 2005-2007 has commenced. In connection with the 2001-2004 exam, we have received notices of proposed adjustments to our filed returns. We have accrued our best estimate of the tax, interest and penalties that may result from these proposed adjustments. We are disputing a formal request from the IRS in the form of a civil summons to provide certain company workpapers. We believe that certain documents being sought should not be produced because they are privileged. A decision by the Rhode Island U.S. District Court in a similar case that supported our position was overturned on appeal, and the judicial circuits are now divided on this issue. Also in connection with the 2001-2004 audit, we have entered into a settlement with the IRS regarding the tax treatment of certain lease transactions related to the Capital Services business that we sold in 2006. Prior to 2007, we accrued and paid the IRS the additional tax and interest associated with this settlement. A variety of post-1999 tax years remain subject to examination by other tax authorities, including the U.K., Canada, France, Germany and various U.S. states. We have accrued our best estimate of the tax, interest and penalties that may result from these tax uncertainties in these and other jurisdictions. However, the resolution of such matters could have a material impact on our results of operations, financial position and cash flows.

17. Fair Value Measurements

Effective January 1, 2008, we adopted the fair value measurements guidance for financial assets and liabilities. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. The guidance emphasizes that an entity's valuation technique for measuring fair value should maximize observable inputs and minimize unobservable inputs.

Non-recurring nonfinancial assets and nonfinancial liabilities include those measured at fair value in goodwill and indefinite lived intangible asset impairment testing, and those non-recurring nonfinancial assets and nonfinancial liabilities initially measured at fair value in a business combination. The new fair value definition and disclosure requirements for these specific nonfinancial assets and nonfinancial liabilities were effective January 1, 2009.

The fair value measurement guidance established a fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities. Examples of Level 1 assets include money market securities and U.S. Treasury securities.

Level 2 – Observable inputs other than Level 1 inputs such as quoted prices for similar assets or liabilities; quoted prices in markets that trade infrequently; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Examples of Level 2 assets and liabilities include derivative contracts whose values are determined using a model with inputs that are observable in the market or can be derived from or corroborated by observable market data, such as mortgage-backed securities, asset backed securities, U.S. agency securities, and corporate notes and bonds.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. These inputs may be derived with internally developed methodologies that result in management's best estimate of fair value. During the nine months ended September 30, 2009 and for the year ended December 31, 2008, we had no Level 3 recurring measurements.

(Unaudited; tabular dollars in thousands, except for per share data)

The following tables show, by level within the fair value hierarchy, our financial assets and liabilities that are accounted for at fair value on a recurring basis as of nine months ended September 30, 2009, respectively. As required by the fair value measurements guidance, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

	Recurring Fair Value Measurements at September 30, 2009 by Level			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Money market funds	$ 254,114	$ —	$ —	$ 254,114
U.S. Government and agency issued debt	56,619	10,822	—	67,441
Corporate notes and bonds	—	8,564	—	8,564
Asset backed securities	—	1,198	—	1,198
Mortgage-backed securities	—	12,712	—	12,712
Derivatives				
Interest rate swaps	—	18,054	—	18,054
Foreign exchange contracts	—	1,246	—	1,246
Total assets	$ 310,733	$ 52,596	$ —	$ 363,329
Liabilities:				
Derivatives				
Foreign exchange contracts	$ —	$ 28,235	$ —	$ 28,235
Total liabilities	$ —	$ 28,235	$ —	$ 28,235

	Recurring Fair Value Measurements at December 31, 2008 by Level			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Money market funds	$ 181,664	$ —	$ —	$ 181,664
U.S. Government and agency issued debt	30,583	11,433	—	42,016
Corporate notes and bonds	—	4,725	—	4,725
Asset backed securities	—	2,658	—	2,658
Mortgage-backed securities	—	21,713	—	21,713
Derivatives				
Interest rate swaps	—	32,486	—	32,486
Total assets	$ 212,247	$ 73,015	$ —	$ 285,262
Liabilities:				
Derivatives				
Foreign exchange contracts	$ —	$ 286	$ —	$ 286
Treasury lock and forward starting swaps	—	31,326	—	31,326
Total liabilities	$ —	$ 31,612	$ —	$ 31,612

Investment Securities

For our investments, we use the market approach for recurring fair value measurements and the valuation techniques use inputs that are observable, or can be corroborated by observable data, in an active marketplace.

The following information relates to our classification into the fair value hierarchy:

• *Money Market Funds:* Money market funds typically invest in government securities, certificates of deposit, commercial paper of companies and other highly liquid and low-risk securities. Money market funds are principally used for overnight deposits and are classified in Level 1 of the fair value hierarchy.

• *U.S. Government Issued Debt:* U.S. Governmental securities are valued using active, high volume trades for identical securities. Valuation adjustments are not applied so these securities are classified in Level 1 of the fair value hierarchy.

• *U.S. Agency Issued Debt:* U.S. Agency issued debt is based on active, high volume trades for identical or comparable securities. Non-callable agency issued debt securities are generally valued using quoted market prices. To the extent that the securities are actively traded, they are categorized in Level 1 of the fair value hierarchy. Callable agency issued debt securities are valued through benchmarking model derived prices to quoted market prices and trade data for identical or comparable securities. Callable agency issued debt securities are categorized in Level 2 of the fair value hierarchy.

• *Corporate Notes and Bonds:* The fair value of corporate securities is estimated using recently executed transactions, market price quotations where observable, or bond spreads. The spread data used are for the same maturity as the security. These securities are classified in Level 2 of the fair value hierarchy.

• *Asset Backed Securities ("ABS") and Mortgage-Backed Securities ("MBS"):* These securities are valued based on external pricing indices. When external index pricing is not observable, ABS and MBS are valued based on external price/spread data. If neither pricing method is available, we then utilize broker quotes. We verify that the unadjusted indices or broker quotes are reasonable and that the market is active by comparing prices across multiple (three or more) dealers. When inputs are observable and supported by an active market, asset backed securities and mortgage-backed securities are classified as Level 2 of the fair value hierarchy.

Investment securities are primarily composed of investments by The Pitney Bowes Bank (PBB). PBB, our wholly-owned subsidiary, is a Utah-chartered Industrial Loan Company (ILC). The bank's investments at September 30, 2009 were $242.7 million. We reported these investments in the Condensed Consolidated Balance Sheet as cash and cash equivalents of $170.8 million, short-term investments of $13.2 million and long-term investments of $58.7 million. The bank's investments at December 31, 2008 were $196.9 million. We reported these investments in the Condensed Consolidated Balance Sheet as cash and cash equivalents of $125.8 million, short-term investments of $18.3 million and long-term investments of $52.8 million.

The fair value measurements of PBB's investments are determined by third party service providers (Zions - Liquid Asset Management and Utendahl Capital Management). To validate the accuracy of the portfolio valuation, we utilize independent third parties to price monthly a minimum of 20% of the portfolio balance, ensuring our sample includes all types of securities held in the portfolio. We review the results of the pricing sample to ensure that the initial fair value valuations are accurate. If the pricing can not be validated reasonably (plus or minus 3% for each security and plus or minus 1% for the entire sample), we take action to investigate the differences. We have not adjusted the initial values as variances have either been within these tolerance limits or confirmed through additional procedures. Additionally, we ensure that the fair value measurements are in accordance with the fair value measurements guidance and that we have properly classified our assets in the fair value hierarchy.

We have no investments either directly or indirectly in the sub-prime mortgage market. We have not experienced any write-offs in our investment portfolio. The majority of our mortgage-backed securities are either guaranteed or supported by the U.S. government. Market events have not caused our money market funds to experience declines in their net asset value below $1.00 dollar per share or to incur imposed limits on redemptions.

(Unaudited; tabular dollars in thousands, except for per share data)

We have no investments in inactive markets which would warrant a possible change in our pricing methods or classification within the fair value hierarchy. Further, we have no investments in auction rate securities.

Derivative Instruments

In the normal course of business, we are exposed to the impact of interest rate changes and foreign currency fluctuations. The company limits these risks by following established risk management policies and procedures, including the use of derivatives. We use derivatives to manage the related cost of debt and to limit the effects of foreign exchange rate fluctuations on financial results. We do not use derivatives for trading or speculative purposes.

As required by the fair value measurements guidance, we have incorporated counterparty risk into the fair value of our derivative assets and our credit risk into the value of our derivative liabilities. We derive credit risk from observable data related to credit default swaps. We have not seen a material change in the creditworthiness of those banks acting as derivative counterparties.

The valuation of our interest rate swaps is based on the income approach using a model with inputs that are observable or that can be derived from or corroborated by observable market data. Our foreign exchange derivatives are measured at fair value using observable market inputs, such as forward rates.

The following is a summary of our derivative fair values at September 30, 2009:

Designation of Derivatives	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments	**Other current assets and prepayments:**	
	Foreign exchange contracts	$ 17
	Other assets:	
	Interest rate swaps	18,054
	Accounts payable and accrued liabilities:	
	Foreign exchange contracts	1,848
Derivatives not designated as hedging instruments	**Other current assets and prepayments:**	
	Foreign exchange contracts	1,229
	Accounts payable and accrued liabilities:	
	Foreign exchange contracts	26,387
	Total Derivative Assets	$ 19,300
	Total Derivative Liabilities	$ 28,235
	Total Net Derivative Liabilities	$ 8,935

(Unaudited; tabular dollars in thousands, except for per share data)

Interest Rate Swaps

Derivatives designated as fair value hedges include interest rate swaps related to fixed rate debt. Changes in the fair value of both the derivative and item being hedged are recognized in income.

In June 2009, we entered into an interest rate swap for an aggregate notional amount of $100 million to effectively convert our interest payments on a portion of the $400 million, 4.625% fixed rate notes due in 2012, into variable interest rates. The variable rates payable are based on one month LIBOR plus 249 basis points. In July 2009, we entered into three additional interest rate swaps for an aggregate notional amount of $300 million to effectively convert our interest payments on the remainder of the $400 million, 4.625% fixed rate notes due in 2012, into variable interest rates. The variable rates payable are based on one month LIBOR plus 248 basis points for $100 million notional amount and one month LIBOR plus 250 basis points for $200 million notional amount. At September 30, 2009, the fair value of the derivative was an asset of $3.3 million. Long-term debt was increased by $3.3 million at September 30, 2009.

In March 2008, we entered into two interest rate swaps for an aggregate notional amount of $250 million to effectively convert the fixed rate of 5.60% on $250 million of our notes, due 2018, into variable interest rates. The variable rates payable by us are based on six month LIBOR plus 111.5 basis points. At September 30, 2009, the fair value of the derivatives was an asset of $14.8 million. Long-term debt was increased by $14.8 million at September 30, 2009. At December 31, 2008, the fair value of the derivatives was an asset of $32.5 million. Long-term debt was increased by $32.5 million at December 31, 2008.

The following represents the results of our derivatives in fair value hedging relationships for the three months ended September 30, 2009:

Derivative Instrument	Location of Gain (Loss) Recognized in Income	Derivative Gain (Loss) Recognized in Income	Hedged Item Income (Expense) Recognized in Income
Interest rate swaps	Interest expense	$ 4,615	$ (8,125)

The following represents the results of our derivatives in fair value hedging relationships for the nine months ended September 30, 2009:

Derivative Instrument	Location of Gain (Loss) Recognized in Income	Derivative Gain (Loss) Recognized in Income	Hedged Item Income (Expense) Recognized in Income
Interest rate swaps	Interest expense	$ 7,871	$ (15,125)

Foreign Exchange Contracts

We enter into foreign currency exchange contracts arising from the anticipated purchase of inventory between affiliates. These contracts are designated as cash flow hedges. The effective portion of the gain or loss on the cash flow hedges is included in other comprehensive income in the period that the change in fair value occurs and is reclassified to income in the same period that the hedged item is recorded in income. At September 30, 2009, we had 126 outstanding contracts with a notional amount of $31.1 million associated with these anticipated transactions and a derivative net liability position of $1.8 million. We had no outstanding contracts at December 31, 2008.

The following represents the results of cash flow hedging relationships for the three months ended September 30, 2009:

Derivative Instrument	Derivative Gain (Loss) Recognized in OCI (Effective Portion) (1)	Location of Derivative Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI to Income (Effective Portion)
Foreign exchange contracts	$ (1,236)	Revenue	$ (9)
Foreign exchange contracts	197	Cost of sales	(549)
	$ (1,039)		$ (558)

(Unaudited; tabular dollars in thousands, except for per share data)

The following represents the results of cash flow hedging relationships for the nine months ended September 30, 2009:

Derivative Instrument	Derivative Gain (Loss) Recognized in OCI (Effective Portion) (1)	Location of Derivative Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI to Income (Effective Portion)
Foreign exchange contracts	$ (662)	Revenue	$ (56)
Foreign exchange contracts	(1,168)	Cost of sales	(857)
	$ (1,830)		$ (913)

(1) At December 31, 2008, there were no outstanding cash flow hedges and, therefore, the opening AOCI balance related to these types of hedges was $0. For the three months ended September 30, 2009, there were 6 derivatives that were entered into and settled within the quarter. For the nine months ended September 30, 2009, there were 22 derivatives that were entered into and settled within each respective quarter. Thus, these amounts were not recorded to AOCI but were recorded directly to income. For the three months ended September 30, these derivatives reduced revenue in the amount of $0.1 million and increased cost of sales in the amount of $0.1 million. For the nine months ended September 30, these derivatives reduced revenue in the amount of $0.2 million and increased cost of sales in the amount of $0.3 million.

As of September 30, 2009, $1.5 million of the $1.8 million derivative loss recognized in OCI will be recognized in income within the next 12 months.

No amount of ineffectiveness was recorded in the Condensed Consolidated Statements of Income for these designated cash flow hedges.

We also enter into foreign exchange contracts to minimize the impact of exchange rate fluctuations on intercompany loans and related interest that are denominated in a foreign currency. The revaluation of the short-term intercompany loans and interest and the mark-to-market on the derivatives are both recorded to income. At September 30, 2009, we had 21 outstanding foreign exchange contracts to buy or sell various currencies with a net liability value of $25.1 million. The contracts will expire by December 31, 2009. At December 31, 2008, the liability value of these derivatives was $0.3 million.

The following represents the results of our non-designated derivative instruments for the three months ended September 30, 2009:

Derivatives Not Designated as Hedging Instruments	Location of Derivative Gain (Loss)	Derivative Gain (Loss) Recognized in Income
Foreign exchange contracts	Selling, general and administrative expense	$ 10,081

The following represents the results of our non-designated derivative instruments for the nine months ended September 30, 2009:

Derivatives Not Designated as Hedging Instruments	Location of Derivative Gain (Loss)	Derivative Gain (Loss) Recognized in Income
Foreign exchange contracts	Selling, general and administrative expense	$ (25,483)

(Unaudited; tabular dollars in thousands, except for per share data)

Net Investment Hedges

One of our intercompany loans denominated in a foreign currency is designated as a hedge of a net investment. The revaluation of this loan is reflected as a deferred translation gain or loss and thereby offsets a portion of the translation adjustment of the applicable foreign subsidiaries' net assets. At September 30, 2009 and December 31, 2008, we had one intercompany loan with an outstanding value of $87.7 million and $119.2 million, respectively, designated as a net investment hedge. Deferred translation gains of $33.4 million and $41.7 million at September 30, 2009 and December 31, 2008, respectively, were included in accumulated other comprehensive loss in stockholders' deficit on the Condensed Consolidated Balance Sheets. The following represents our net investment hedge at September 30, 2009:

Net Investment Hedging Relationships	Loan Balance	Location of Deferred Translation Gain (Loss)	Deferred Translation Gain (Loss)
Non-derivative intercompany loan	$ 87,714	Accumulated other comprehensive (loss) income	$ 33,387

Credit-Risk-Related Contingent Features

At September 30, 2009, Pitney Bowes maintained investment grade ratings of A / A1. Certain of our derivative instruments contain provisions that would require us to post collateral upon a significant downgrade in our long-term senior unsecured debt ratings. Based on derivative values at September 30, 2009, we would have been required to post $27.6 million in collateral had our long-term senior unsecured debt ratings fallen below BB- / Ba3.

Fair Value of Financial Instruments

The estimated fair value of our financial instruments follows:

	September 30, 2009		December 31, 2008	
	Carrying value (1)	Fair value	Carrying value (1)	Fair value
Investment securities	**$ 342,682**	**$ 344,029**	$ 251,298	$ 252,776
Loans receivable	**$ 474,662**	**$ 474,662**	$ 528,800	$ 528,800
Long-term debt	**$ (4,253,529)**	**$ (4,414,818)**	$ (3,990,134)	$ (3,880,418)
Derivatives, net	**$ (8,935)**	**$ (8,935)**	$ 874	$ 874

(1) Carrying value includes accrued interest and deferred fee income, where applicable.

The fair value of long-term debt is estimated based on quoted dealer prices for the same or similar issues. The carrying value for cash, cash equivalents, accounts receivable, loans receivable, accounts payable and notes payable approximate fair value because of the short maturity of these instruments.

18. Commitments and Contingencies

In the ordinary course of business, we are routinely defendants in or party to a number of pending and threatened legal actions. These may involve litigation by or against us relating to, among other things, contractual rights under vendor, insurance or other contracts; intellectual property or patent rights; equipment, service, payment or other disputes with customers; or disputes with employees. Some of these actions may be brought as a purported class action on behalf of a purported class of employees, customers or others.

Our wholly-owned subsidiary, Imagitas, Inc., is a defendant in ten purported class actions filed in six different states. These lawsuits have been coordinated in the United States District Court for the Middle District of Florida, In re: Imagitas, Driver's Privacy Protection Act Litigation (Coordinated, May 28, 2007). Each of these lawsuits alleges that the Imagitas DriverSource program violated the federal Drivers Privacy Protection Act (DPPA). Under the DriverSource program, Imagitas entered into contracts with state governments to mail out automobile registration renewal materials along with third party advertisements, without revealing the personal information of any state resident to any advertiser. The DriverSource program assisted the state in performing its governmental function of delivering these mailings and funding the costs of them. Imagitas has discontinued its DriverSource program. The plaintiffs in these actions are seeking statutory damages under the DPPA. On April 9, 2008, the District Court granted

Imagitas' motion for summary judgment in one of the coordinated cases, Rine, et al. v. Imagitas, Inc. (United States District Court, Middle District of Florida, filed August 1, 2006). On July 30, 2008, the District Court issued a final judgment in the Rine lawsuit and stayed all of the other cases filed against Imagitas pending an appellate decision in Rine. On August 27, 2008, the Rine plaintiffs filed an appeal of the District Court's decision in the United States Court of Appeals, Eleventh Judicial Circuit. The appellate process in this case is proceeding.

We expect to prevail in the lawsuits against Imagitas; however, as litigation is inherently unpredictable, there can be no assurance in this regard. If the plaintiffs do prevail, the results may have a material effect on our financial position, future results of operations or cash flows, including, for example, our ability to offer certain types of goods or services in the future.

On October 28, 2009, the Company and certain of our current and former officers, were named as defendants in NECA-IBEW Health & Welfare Fund v. Pitney Bowes Inc. et al., a class action lawsuit filed in the U.S. District Court for the District of Connecticut. The complaint asserts claims under the Securities Exchange Act of 1934 on behalf of those who purchased the common stock of the Company during the period between July 30, 2007 and October 29, 2007. We believe this case is without merit and intend to defend it vigorously.

Product Warranties

We provide product warranties in conjunction with certain product sales, generally for a period of 90 days from the date of installation. Our product warranty liability reflects our best estimate of probable liability for product warranties based on historical claims experience, which has not been significant, and other currently available evidence. Accordingly, our product warranty liability at September 30, 2009 and December 31, 2008, respectively, was not material.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors discussed in "Forward-Looking Statements" and elsewhere in this report.

The following analysis of our financial condition and results of operations should be read in conjunction with Pitney Bowes' Condensed Consolidated Financial Statements contained in this report and Pitney Bowes' Form 10-K for the year ended December 31, 2008.

Overview

For the third quarter, revenue decreased 12% to $1.36 billion due to continuing challenging global economic conditions and the negative impact of foreign currency translation, which negatively impacted revenue by 2%.

Income from continuing operations attributable to Pitney Bowes Inc. common stockholders was $105.7 million or $0.51 per diluted share as compared with $0.48 earnings per diluted share in the third quarter of 2008. Income from continuing operations in the third quarter of 2009 included a non-cash after-tax restructuring charge of $8.3 million, or 4 cents per diluted share. Income from continuing operations in the third quarter of 2008 included restructuring charges and asset impairments of 19 cents per diluted share.

A continued global economic downturn resulted in a decline in revenue for the quarter in all of our business segments. EBIT margins, however, were up in three of our segments from 2008, and also increased in six of our seven segments when compared to the second quarter of 2009. We reduced our selling, general and administrative expense by over $173.7 million during the nine months ended September 30, 2009, despite increased pension costs when compared to the prior year. We also reduced our debt by $297.9 million during the nine months ended September 30, 2009.

See "Results of Operations – Third Quarter of 2009 Compared to Third Quarter of 2008" for a more detailed discussion of our results of operations.

Outlook

Economic and business conditions in mail-intensive industries have continued to be weak during the quarter. Sales cycles for most capital purchase decisions by customers remain long. These factors have impacted our financial results, as the sustained economic downturn has had a negative effect on high-margin financing, rental, and supplies revenue streams. While the company has been successful in reducing its cost structure across its entire business and is shifting to a more variable cost structure, these actions have not been enough to date to offset the impact of lower revenue.

We continue to expect our mix of revenue to change, with a greater percentage of revenue coming from diversified revenue streams associated with fully featured smaller systems and a smaller percentage from larger system sales. We expect that our 2009 reported results will continue to be negatively impacted by challenging economic conditions and by the increase in pension costs related to recent changes in capital markets and assumptions used to calculate pension liabilities.

To enhance our responsiveness to changing market conditions, we have undertaken a strategic transformation process designed to create long-term flexibility to invest in future growth. We are currently completing the diagnostic phase of this project and are analyzing a wide range of opportunities for process and operational improvements in areas such as our global customer interactions and product development processes. Currently, we are targeting annualized benefits, net of investments, from our strategic transformation initiatives in the range of at least $150 to $200 million on a pre-tax basis. These benefits and the related costs, which could be significant, will be recognized as different actions are approved and implemented, with the goal of reaching the full benefit run rate by 2012.

Results of Operations – Third Quarter of 2009 compared to Third Quarter of 2008

Business segment results

The following table shows revenue and earnings before interest and taxes ("EBIT") by segment for the three months ended September 30, 2009 and 2008. Prior year results have been reclassified to conform to the current year presentation. Refer to Note 7 to the Condensed Consolidated Financial Statements for further detail on these changes.

(Dollars in thousands)	Revenue			EBIT (1)		
	Three Months Ended September 30,			Three Months Ended September 30,		
	2009	2008	% change	2009	2008	% change
U.S. Mailing	**$ 491,036**	$ 558,038	(12)%	**$ 178,066**	$ 221,179	(19)%
International Mailing	**224,681**	271,727	(17)%	**29,193**	41,123	(29)%
Production Mail	**126,434**	154,554	(18)%	**11,494**	23,183	(50)%
Software	**82,361**	94,221	(13)%	**8,241**	3,167	160%
Mailstream Solutions	**924,512**	1,078,540	(14)%	**226,994**	288,652	(21)%
Management Services	**259,370**	287,989	(10)%	**19,517**	16,064	21%
Mail Services	**134,042**	139,689	(4)%	**23,024**	15,467	49%
Marketing Services	**38,896**	41,455	(6)%	**7,448**	8,088	(8)%
Mailstream Services	**432,308**	469,133	(8)%	**49,989**	39,619	26%
Total	**$1,356,820**	$1,547,673	(12)%	**$ 276,983**	$ 328,271	(16)%

(1) See reconciliation of segment amounts to Income from continuing operations before income taxes in Note 7 to the Condensed Consolidated Financial Statements.

During the third quarter of 2009, Mailstream Solutions revenue decreased 14% to $925 million and EBIT decreased 21% to $227 million, compared to the prior year. Within Mailstream Solutions:

U.S. Mailing's revenue decreased 12% primarily due to fewer placements of mailing equipment as customers continued to delay purchases of new equipment and extend leases on existing equipment due to the economic conditions. Revenue continues to be adversely affected by the ongoing changing mix to more fully featured smaller systems. Lease extensions have a positive impact on profit margins longer-term but negatively impact revenue in the current period. U.S. Mailing's EBIT decreased 19% principally due to lower financing revenue, meter rentals, and supplies sales because of lower business activity levels over the prior year.

International Mailing revenue decreased 17%, with 6% of this decline driven by the unfavorable impact of foreign currency translation. The international economic environment continued to create weaker demand for our products and services. As a result, many customers delayed making purchase decisions for new mailing systems and lower mail volume reduced supplies revenue. International Mailing's EBIT declined 29% to $29.2 million, primarily driven by lower levels of equipment, financing and supplies sales.

Revenue for Production Mail decreased 18% primarily as a result of lower equipment sales in the U.S., France, and Asia Pacific as economic uncertainty continues to delay large-ticket capital expenditures for many large enterprises worldwide. Foreign currency translation had an unfavorable impact of 2%. Production Mail's EBIT decreased 50% driven by lower revenues and a shift in product mix to lower margin products.

Software's revenue decreased 13%, with 4% of this decline driven by the unfavorable impact of foreign currency translation. Worldwide consolidation in the financial services industry and slowness in the retail sector continued to adversely impact the sales and renewal of software licenses. Uncertainty surrounding the economy has resulted in many large multi-national organizations changing their approval policies for capital expenditures, which has lengthened the sales cycle. Software's EBIT increased to $8.2 million compare to $3.2 million in the prior year due to business integration and productivity initiatives which resulted in substantial EBIT margin improvements. This helped offset the pressure on margin due to lower revenue and a higher mix of some lower margin software sales.

During the third quarter of 2009, Mailstream Services revenue decreased 8% to $432 million. However, EBIT increased 26% to $50 million, compared to the prior year. Within Mailstream Services:

Management Services revenue decreased 10%, of which 2% was driven by the unfavorable impact of foreign currency translation. The segment's revenue was also adversely affected by lower business activity and decreased print and transaction volumes throughout the U.S. and Europe. Management Services EBIT, however, increased by 21% primarily due to productivity enhancements that have improved the profitability of the operations in both the U.S. and internationally.

Mail Services revenue decreased 4%, of which 1% was driven by the unfavorable impact of foreign currency translation. Declines in mail volumes processed for some customers were partly offset by the significant expansion of the customer base and increases in both standard mail and flats. Mail Services EBIT increased by 49% driven by the integration of Mail Services sites acquired last year and ongoing automation and productivity initiatives taken by the business.

Marketing Services revenue decreased 6%, mostly due to the impact of fewer household moves during the quarter and the resulting decline in the volume of required change of address kits. Marketing Services EBIT decreased 8% due to the lower transaction volumes.

Revenue by source

The following table shows revenue by source for the three months ended September 30, 2009 and 2008:

(Dollars in thousands)	Three Months Ended September 30,		
	2009	2008	% change
Equipment sales	**$ 225,759**	$ 296,520	(24)%
Supplies	**83,464**	96,864	(14)%
Software	**87,295**	100,092	(13)%
Rentals	**163,711**	182,850	(10)%
Financing	**171,228**	195,632	(12)%
Support services	**177,607**	193,516	(8)%
Business services	**447,756**	482,199	(7)%
Total revenue	**$ 1,356,820**	$ 1,547,673	(12)%

Equipment sales revenue decreased 24% compared to the prior year mostly due to fewer placements of mailing equipment as customers in the U.S. and internationally have delayed purchases of new equipment and extended leases on existing equipment due to the economic conditions. Revenue also continues to be adversely affected by the ongoing changing mix in equipment placements to more fully featured smaller systems. Foreign currency translation had an unfavorable impact of 2%.

Supplies revenue decreased 14% compared to the prior year due to lower supplies usage resulting from lower mail volumes and fewer installed meters due to customer consolidations in the U.S. and internationally. Foreign currency translation had an unfavorable impact of 3%.

Software revenue decreased 13% compared to the prior year due to the impact of the global economic slowdown which has caused many businesses to delay their capital spending worldwide, thus negatively impacting software revenues. Foreign currency translation had an unfavorable impact of 4%.

Rentals revenue decreased 10% compared to the prior year. In the U.S., customers continue to downsize to smaller, fully featured machines. The weak economic conditions also have had a negative impact on our international rental markets in France and Canada. Foreign currency translation had an unfavorable impact of 1%.

Financing revenue decreased 12% compared to the prior year. Lower equipment sales over the past year have resulted in a decline in our lease portfolios. Foreign currency translation had an unfavorable impact of 2%.

Support services revenue decreased 8% compared to the prior year principally driven by lower new equipment placements. Foreign currency translation had an unfavorable impact of 3%.

Business services revenue decreased 7% compared to the prior year primarily due to lower transaction volumes at Management Services. Foreign currency translation had an unfavorable impact of 1%.

Costs and expenses

(Dollars in thousands)	Three Months Ended September 30,	
	2009	2008
Cost of equipment sales	**$ 124,819**	$ 157,593
Cost of supplies	**$ 23,785**	$ 26,382
Cost of software	**$ 19,413**	$ 25,917
Cost of rentals	**$ 40,508**	$ 36,252
Financing interest expense	**$ 23,975**	$ 27,702
Cost of support services	**$ 100,541**	$ 113,581
Cost of business services	**$ 335,406**	$ 370,213
Selling, general and administrative	**$ 435,931**	$ 484,650
Research and development	**$ 45,052**	$ 53,008

Cost of equipment sales as a percentage of revenue was 55.3% in the third quarter of 2009 compared with 53.1% in the prior year, primarily due to the unfavorable mix of lower margin equipment sales in International Mailing and Production Mail.

Cost of supplies as a percentage of revenue was 28.5% in the third quarter of 2009 compared with 27.2% in the prior year primarily due to an unfavorable mix of lower margin product sales in U.S. Mailing.

Cost of software as a percentage of revenue was 22.2% in the third quarter of 2009 compared with 25.9% in the prior year due to the impact of business integration measures and productivity investments, which more than offset lower revenue levels.

Cost of rentals as a percentage of revenue was 24.7% in the third quarter of 2009 compared with 19.8% in the prior year primarily due to the fixed costs associated with meter depreciation on lower revenues in both the U.S. Mailing and International Mailing segments.

Financing interest expense as a percentage of revenue was 14.0% in the third quarter of 2009 compared with 14.2% in the prior year primarily due to lower interest rates. In computing our financing interest expense, which represents our cost of borrowing associated with the generation of financing revenues, we assumed a 10:1 leveraging ratio of debt to equity and applied our overall effective interest rate to the average outstanding finance receivables.

Cost of support services as a percentage of revenue was 56.6% in the third quarter of 2009 compared with 58.7% in the prior year. Improvements in our U.S. Mailing, International Mailing and Production Mail segments are driven by the positive impacts of ongoing productivity investments as well as price increases on longer-service contracts in our Production Mail segment.

Cost of business services as a percentage of revenue was 74.9% in the third quarter of 2009 compared with 76.8% in the prior year. This improvement is due to the positive impacts of cost reduction programs in our Management Services and Mail Services businesses, partly offset by lower transaction volumes in our Management Services business.

Selling, general and administrative ("SG&A") expenses as a percentage of revenue was 32.1% in the third quarter of 2009 compared with 31.3% in the prior year. SG&A expense declined $48.7 million or 10%, primarily as a result of our cost reduction initiatives and the positive impact of foreign currency translation of 2%. Lower revenues and increased pension costs more than offset these benefits on a percentage of revenue basis.

Research and development expenses decreased $8.0 million from the prior year, $1.2 million of which related to foreign currency translation. The decline in overall spending is due to the wind-down of redundant costs related to our transition to offshore development capabilities.

Restructuring charges and asset impairments

During the third quarter of 2009, we have undertaken a strategic transformation process designed to create long-term flexibility to invest in future growth. We are currently completing the diagnostic phase of this project and are analyzing a wide range of opportunities for process and operational improvements in areas such as our global customer interactions and product development processes. The restructuring charge in the current quarter represents costs associated with initial actions identified as part of the diagnostic phase of this project. The future benefits and related costs, which could be significant, will be recognized as actions are approved and implemented.

During the third quarter of 2009, we recorded pre-tax restructuring charges of $12.8 million, of which $10.0 million relates to severance and benefit costs and $2.8 million relates to other exit costs. As of September 30, 2009, 158 employee terminations have occurred under this strategic transformation project. The majority of the liability at September 30, 2009 is expected to be paid during the next twelve months from cash generated from operations.

Pre-tax restructuring reserves at September 30, 2009 for the restructuring actions taken in the third quarter of 2009 are composed of the following:

(Dollars in thousands)	Balance at July 1, 2009	Expenses	Cash payments	Non-cash charges	Balance at September 30, 2009
Severance and benefit costs	$ —	$ 10,040	$ (801)	$ —	$ 9,239
Other exit costs	—	2,805	(1,232)	—	1,573
Total	$ —	$ 12,845	$ (2,033)	$ —	$ 10,812

We recorded pre-tax restructuring charges and asset impairments during 2008 and 2007. These charges primarily related to a program we announced in November 2007 to lower our cost structure, accelerate efforts to improve operational efficiencies, and transition our product line.

As of September 30, 2009, 2,904 terminations have occurred under this program and approximately 300 additional positions have been eliminated since the inception of the program. The majority of the liability at September 30, 2009 is expected to be paid during the next twelve months from cash generated from operations.

Pre-tax restructuring reserves at September 30, 2009 for the restructuring program announced in 2007 are composed of the following:

(Dollars in thousands)	Balance at June 30, 2009	Expenses	Cash payments	Non-cash charges	Balance at September 30, 2009
Severance and benefit costs	$ 66,167	$ —	$ (13,190)	$ —	$ 52,977
Other exit costs	25,832	—	(2,424)	—	23,408
Total	$ 91,999	$ —	$ (15,614)	$ —	$ 76,385

Other interest expense

Other interest expense for the three months ended September 30, 2009 and 2008:

(Dollars in thousands)	Three Months Ended September 30,		
	2009	2008	% change
Other interest expense	$ 27,244	$ 30,037	(9)%

Other interest expense decreased by $2.8 million or 9% in the third quarter of 2009 compared to the prior year. This is driven primarily by lower interest rates and lower average borrowings.

Income taxes

The effective tax rate for the third quarter of 2009 was 34.3% compared with 39.4% in the prior year. The 2008 effective tax rate was increased principally due to a low tax benefit associated with restructuring expenses recorded in the three months ended September 30, 2008.

Discontinued operations

The following table shows selected financial information included in discontinued operations for the three months ended September 30, 2009 and 2008, respectively:

(Dollars in thousands)	Three Months Ended September 30,	
	2009	2008
Loss from discontinued operations, net of tax	**$ 2,429**	$ 2,063

The losses for the three months ended September 30, 2009 and September 30, 2008 relate to the accrual of interest on uncertain tax positions.

Noncontrolling interests (Preferred stock dividends of subsidiaries)

The following table details dividends paid to preferred stockholders for the three months ended September 30, 2009 and 2008:

(Dollars in thousands)	Three Months Ended September 30,	
	2009	2008
Preferred stock dividends of subsidiaries	**$ 4,622**	$ 6,540

The three months ended September 30, 2008 included a net expense of $1.8 million associated with the redemption of $10 million of 9.11% Cumulative Preferred Stock in August 2008.

Results of Operations – Nine Months Ended September 30, 2009 compared to Nine Months Ended September 30, 2008

Revenue by source

(Dollars in thousands)	Nine Months Ended September 30,		
	2009	2008	% change
Equipment sales	**$ 714,780**	$ 910,883	(22)%
Supplies	**253,466**	305,750	(17)%
Software	**254,401**	314,617	(19)%
Rentals	**487,992**	553,658	(12)%
Financing	**528,534**	591,834	(11)%
Support services	**531,200**	579,996	(8)%
Business services	**1,344,493**	1,452,978	(7)%
Total revenue	**$ 4,114,866**	$ 4,709,716	(13)%

Equipment sales revenue decreased 22% compared to the prior year due to lower placements of mailing equipment as more customers have delayed purchases of new equipment and extended their leases on existing equipment due to the economic conditions. Revenue also continues to be adversely affected by the ongoing changing mix in equipment placements to more fully featured smaller systems. Foreign currency translation had an unfavorable impact of 6%.

Supplies revenue decreased 17% compared to the prior year due to lower supplies usage resulting from lower mail volumes and fewer installed meters due to customer consolidations in the U.S. and internationally. Foreign currency translation had an unfavorable impact of 5%.

Software revenue decreased 19% compared to the prior year primarily due to the impact of the global economic slowdown which has caused many businesses to delay their capital spending worldwide. Worldwide consolidation in the financial services industry and slowness in the retail sector have also adversely impacted sales and renewals of software licenses. Foreign currency translation had an unfavorable impact of 7%.

Rentals revenue decreased 12% compared to the prior year as customers in the U.S. continue to downsize to smaller, fully featured machines. The weak economic conditions have also impacted our international rental markets, specifically in Canada and France. Foreign currency translation had an unfavorable impact of 3%.

Financing revenue decreased 11% compared to the prior year. Lower equipment sales over the past year have resulted in a decline in both our U.S. and international lease portfolios. Foreign currency translation had an unfavorable impact of 4%.

Support services revenue decreased 8% compared to the prior year, principally due to the unfavorable impact of foreign currency translation of 5%, and lower revenues in Canada, the U.S. and the U.K. due to lower new equipment placements.

Business services revenue decreased 7% compared to the prior year. Lower volumes at Management Services and Marketing Services more than offset the increase in mail volumes processed at Mail Services. The unfavorable impact of foreign currency translation of 3% was partly offset by the positive impact of acquisitions which contributed 1%.

Costs and expenses

(Dollars in thousands)	Nine Months Ended September 30,	
	2009	**2008**
Cost of equipment sales	**$ 387,674**	$ 484,988
Cost of supplies	**$ 68,495**	$ 80,673
Cost of software	**$ 60,480**	$ 80,107
Cost of rentals	**$ 114,372**	$ 114,227
Financing interest expense	**$ 73,865**	$ 85,630
Cost of support services	**$ 300,090**	$ 343,507
Cost of business services	**$ 1,033,933**	$ 1,120,193
Selling, general and administrative	**$ 1,317,410**	$ 1,491,154
Research and development	**$ 138,623**	$ 156,176

Cost of equipment sales as a percentage of revenue was 54.2% in the first nine months of 2009 compared with 53.2% in the prior year, primarily due to an unfavorable mix of lower margin equipment sales in Production Mail.

Cost of supplies as a percentage of revenue was 27.0% in the first nine months of 2009 compared with 26.4% in the prior year due to an unfavorable mix of products in U.S Mailing.

Cost of software as a percentage of revenue was 23.8% in the first nine months of 2009 compared with 25.5% in the prior year due to business integration measures and productivity investments, which more than offset lower revenue levels.

Cost of rentals as a percentage of revenue was 23.4% in the first nine months of 2009 compared with 20.6% in the prior year primarily due to the fixed costs associated with meter depreciation on lower revenues.

Financing interest expense as a percentage of revenue was 14.0% in the first nine months of 2009 compared with 14.5% in the prior year due to lower interest rates. In computing our financing interest expense, which represents our cost of borrowing associated with the generation of financing revenues, we assumed a 10:1 leveraging ratio of debt to equity and applied our overall effective interest rate to the average outstanding finance receivables.

Cost of support services as a percentage of revenue was 56.5% in the first nine months of 2009 compared with 59.2% in the prior year due to margin improvements in U.S. Mailing, International Mailing and Production Mail driven by the positive impacts of ongoing productivity investments and price increases on longer-service equipment in Production Mail.

Cost of business services as a percentage of revenue was 76.9% in the first nine months of 2009 compared with 77.1% in the prior year. This is due to the positive impacts of cost reduction programs at our Management Services and Mail Services businesses, partly offset by lower volumes of higher margin print and transaction activity which has negatively impacted Management Services.

Selling, general and administrative ("SG&A") expenses as a percentage of revenue was 32.0% in the first nine months of 2009 compared with 31.7% in the prior year. SG&A expense declined $173.7 million or 12%, primarily as a result of our cost reduction initiatives and the positive impact of foreign currency translation of 5%. However, the impact of the lower revenues and increased pension costs more than offset these benefits on a percentage of revenue basis.

Research and development expenses decreased $17.6 million in the first nine months of 2009 from the prior year, of which $6.6 million related to foreign currency translation. As a percentage of revenue, research and development expenses were slightly higher than the prior year as we continue to invest in developing new technologies, enhancing our products, and expanding our offshore development capabilities.

Restructuring charges and asset impairments

During the third quarter of 2009, we have undertaken a strategic transformation process designed to create long-term flexibility to invest in future growth. We are currently completing the diagnostic phase of this project and are analyzing a wide range of opportunities for process and operational improvements in areas such as our global customer interactions and product development processes. The restructuring charge in the current quarter represents costs associated with initial actions identified as part of the diagnostic phase of this project. The future benefits and related costs, which could be significant, will be recognized as actions are approved and implemented.

During the third quarter of 2009, we recorded pre-tax restructuring charges of $12.8 million, of which $10.0 million relates to severance and benefit costs and $2.8 million relates to other exit costs. As of September 30, 2009, 158 employee terminations have occurred under this strategic transformation project. The majority of the liability at September 30, 2009 is expected to be paid during the next twelve months from cash generated from operations.

Pre-tax restructuring reserves at September 30, 2009 for the restructuring actions taken in the third quarter of 2009 are composed of the following:

(Dollars in thousands)	Balance at July 1, 2009	Expenses	Cash payments	Non-cash charges	Balance at September 30, 2009
Severance and benefit costs	$ —	$ **10,040**	$ **(801)**	$ —	$ **9,239**
Other exit costs	—	**2,805**	**(1,232)**	—	**1,573**
Total	$ —	$ **12,845**	$ **(2,033)**	$ —	$ **10,812**

We recorded pre-tax restructuring charges and asset impairments during 2008 and 2007. These charges primarily related to a program we announced in November 2007 to lower our cost structure, accelerate efforts to improve operational efficiencies, and transition our product line.

As of September 30, 2009, 2,904 terminations have occurred under this program and approximately 300 additional positions have been eliminated since the inception of the program. The majority of the liability at September 30, 2009 is expected to be paid during the next twelve months from cash generated from operations.

Pre-tax restructuring reserves at September 30, 2009 for the restructuring program announced in 2007 are composed of the following:

(Dollars in thousands)	Balance at December 31, 2008	Expenses	Cash payments	Non-cash charges	Balance at September 30, 2009
Severance and benefit costs	$ 108,431	$ —	$ **(55,454)**	$ —	$ **52,977**
Other exit costs	32,678	—	**(9,270)**	—	**23,408**
Total	$ 141,109	$ —	$ **(64,724)**	$ —	$ **76,385**

Other interest expense

Other interest expense for the nine months ended September 30, 2009 and 2008:

(Dollars in thousands)	Nine Months Ended September 30,		
	2009	2008	% change
Other interest expense	$ **84,548**	$ 91,565	(8)%

Other interest expense decreased $7.0 million or 8% in the first nine months of 2009 compared to the prior year due to lower interest rates and lower average borrowings.

Income taxes

The effective tax rate for the nine months ended September 30, 2009 and 2008 was 36.6% and 36.8%, respectively. The year-to-date 2009 tax rate was increased by a $12.2 million write-off of deferred tax assets associated with the expiration of out-of-the-money vested stock options and the vesting of stock units previously granted to our employees. This write-off of deferred tax assets will not require us to pay any taxes. The year-to-date 2008 tax rate was increased by a tax accrual associated with lease refunds in the U.K. and Ireland of $6.5 million and the impact of a low tax benefit associated with restructuring expenses recorded during 2008.

Discontinued operations

The following table shows selected financial information included in discontinued operations for the nine months ended September 30, 2009 and 2008, respectively:

(Dollars in thousands)	Nine Months Ended September 30,	
	2009	2008
Net gain (loss) from discontinued operations, net of tax	**$ 5,296**	$ (8,726)

Pre-tax income for the nine months ended September 30, 2009 includes $9.8 million of pre-tax income ($6.0 million net of tax) for a bankruptcy settlement received during the first quarter of 2009 pertaining to the leasing of certain aircraft from our former Capital Services business which was sold in 2006, and $10.9 million of pre-tax income ($6.7 million net of tax) representing the release of reserves during the second quarter of 2009 related to the expiration of an indemnity agreement in April 2009 also associated with the sale of Capital Services. This income was partly offset by the accrual of interest on uncertain tax positions. The net loss for the nine months ended September 30, 2008 relates to the accrual of interest on uncertain tax positions.

Noncontrolling interests (Preferred stock dividends of subsidiaries)

The following table details dividends paid to preferred stockholders for the nine months ended September 30, 2009 and 2008:

(Dollars in thousands)	Nine Months Ended September 30,	
	2009	2008
Preferred stock dividends of subsidiaries	**$ 13,714**	$ 16,134

The nine months ended September 30, 2008 included a net expense of $1.8 million associated with the redemption of $10 million of 9.11% Cumulative Preferred Stock in August 2008.

Liquidity and Capital Resources

We believe that cash flow from operations, existing cash and liquid investments, as well as borrowing capacity under our commercial paper program, the existing credit facility and debt capital markets should be sufficient to finance our capital requirements and to cover our customer deposits. Our potential uses of cash include but are not limited to the following: growth and expansion opportunities; internal investments; customer financing; restructuring payments; tax payments; interest and dividend payments; pension and other benefit plan funding; acquisitions; and share repurchase program.

We continue to review our liquidity profile. We have carefully monitored for material changes in the creditworthiness of those banks acting as derivative counterparties, depository banks or credit providers to us through credit ratings and the credit default swap market. We have determined that there has not been a material variation in the underlying sources of cash flows currently used to finance the operations of the company. To date, we have had consistent access to the commercial paper market.

Cash Flow Summary

The change in cash and cash equivalents is as follows:

(Dollars in thousands)	Nine Months Ended September 30,	
	2009	2008
Cash provided by operating activities	**$ 732,424**	$ 756,059
Cash used in investing activities	**(153,577)**	(201,486)
Cash used in financing activities	**(525,859)**	(467,355)
Effect of exchange rate changes on cash	**11,469**	(5,608)
Increase in cash and cash equivalents	**$ 64,457**	$ 81,610

2009 Cash Flows

Net cash provided by operating activities consists primarily of net income adjusted for non-cash items and changes in operating assets and liabilities. Cash provided by operating activities included lower investments in finance receivables and lower accounts receivable balances of $203.6 million and $134.8 million, respectively, resulting from lower levels of new business and strong collections as well as an increase in current and non-current income taxes of $73.5 million primarily due to the timing of tax payments. Partially offsetting these positive cash flow impacts was a reduction in accounts payable and accrued liabilities of $195.8 million, primarily due to lower compensation accruals as well as $66.8 million in restructuring payments associated with cost reduction initiatives and a $20.3 million payment for the unwinding of derivatives related to the March 2009 debt issuance. See Note 14 to the Condensed Consolidated Financial Statements for additional discussion of the restructuring payments.

Net cash used in investing activities consisted principally of capital expenditures of $126.5 million.

Net cash used in financing activities consisted primarily of a decrease in notes payable of $445.5 million due to the repayment of commercial paper and the $150.0 million repayment of notes in September 2009. These were partially offset by the proceeds from long term obligations of $297.5 million related to the March 2009 debt issuance. Dividends paid to common stockholders were $223.2 million for the nine months ended September 30, 2009.

2008 Cash Flows

Net cash provided by operating activities consists primarily of net income adjusted for non-cash items and changes in operating assets and liabilities. A lower investment in finance receivables of $74.3 million and an increase in advanced billings of $21.8 million contributed to this increase in cash. In addition, the timing of tax payments favorably contributed $93.5 million. Partially offsetting these positive impacts was a reduction in accounts payable and accrued liabilities of $94.9 million, primarily due to timing of payments.

Net cash used in investing activities consisted principally of capital expenditures of $170.0 million combined with acquisitions of $69.0 million partially offset by increased reserve account balances for customer deposits of $16.6 million and a reduction in investments of $21.7 million.

Net cash used in financing activities consisted primarily of dividends paid to common stockholders of $219.4 million and stock repurchases of $333.2 million, partially offset by proceeds from issuance of stock of $16.6 million and a net increase in notes payable and long-term obligations of $94.9 million. We also paid $11.8 million associated with the redemption of 100% of the outstanding Cumulative Preferred Stock issued previously by a subsidiary company.

Capital Expenditures

During the first nine months of 2009, capital expenditures included $66.0 million in net additions to property, plant and equipment and $60.5 million in net additions to rental equipment and related inventories compared with $86.3 million and $83.7 million, respectively, in the same period in 2008. The decrease in property, plant and equipment compared to the prior year is due primarily to higher 2008 spending at our Mail Services business associated with the integration of acquisitions as well as lower investment spending across all of our segments. The decrease in rental equipment and related inventories compared to the prior year is due to lower equipment placements due to the weak economic conditions.

Financings and Capitalization

We have a commercial paper program that is a significant source of liquidity for the Company. During 2009, we have continued to have consistent access to the commercial paper market. As of September 30, 2009, we had $165 million of outstanding commercial paper issuances. We also have a committed line of credit of $1.5 billion which supports commercial papers issuance and is provided by a syndicate of 15 banks until 2011. As of September 30, 2009, this line of credit had not been drawn down. In addition, we filed a Well-Known Seasoned Issuer registration statement with the SEC in June 2008 which permits the issuance of debt securities, preferred stock, preference stock, common stock, purchase contracts, depositary shares, warrants and units.

On September 15, 2009, we repaid the 8.55% notes with a $150 million face value. The repayment of these notes was funded through cash generated from operations and issuance of commercial paper. No additional long-term notes will mature until 2012.

On June 29, 2009, we entered into an interest rate swap for an aggregate notional amount of $100 million to effectively convert our interest payments on a portion of the $400 million, 4.625% fixed rate notes due in 2012, into variable interest rates. The variable rates payable are based on one month LIBOR plus 249 basis points. In July 2009, we entered into three additional interest rate swaps for an aggregate notional amount of $300 million to effectively convert our interest payments on the remainder of the $400 million, 4.625% fixed rate notes due in 2012, into variable interest rates. The variable rates payable are based on one month LIBOR plus 248 basis points for $100 million notional amount and one month LIBOR plus 250 basis points for $200 million notional amount.

On March 2, 2009, we issued $300 million of 10-year fixed-rate notes with a coupon rate of 6.25%. The interest is paid semi-annually beginning September 15, 2009. The notes mature on March 15, 2019. We simultaneously unwound four forward starting swap agreements (forward swaps) used to hedge the interest rate risk associated with the forecasted issuance of the fixed-rate debt. The unwind of the derivatives resulted in a loss (and cash payment) of $20.3 million which was recorded to other comprehensive income, net of tax, and will be amortized to net interest expense over the 10-year term of the notes. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper.

On March 4, 2008, we issued $250 million of 10-year fixed-rate notes with a coupon rate of 5.60%. The interest is paid semi-annually beginning September 15, 2008. The notes mature on March 15, 2018. We simultaneously entered into two interest rate swaps for a total notional amount of $250 million to convert the fixed rate debt to a floating rate obligation bearing interest at 6 month LIBOR plus 111.5 basis points. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper and repurchase of our stock.

We believe our financing needs in the short and long-term can be met from cash generated internally, the issuance of commercial paper, debt issuance under our effective shelf registration statement and borrowing capacity under our existing credit agreements.

Recent Accounting Pronouncements

FAIR VALUE MEASUREMENTS

On January 1, 2008, we adopted new accounting guidance on fair value measurements. The new guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It was effective for certain financial assets and liabilities on January 1, 2008 and for all nonfinancial assets and liabilities recognized or disclosed at fair value on a nonrecurring basis on January 1, 2009. The adoption of this guidance has not had a material impact on our financial position, results of operations, or cash flows. See Note 17 to the Condensed Consolidated Financial Statements for additional discussion on fair value measurements.

DISCLOSURES ABOUT DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

On January 1, 2009, we adopted new accounting guidance on disclosures about derivative instruments and hedging activities. The new guidance impacts disclosures only and requires additional qualitative and quantitative information on the use of derivatives and their impact on an entity's financial position, results of operations and cash flows. See Note 17 to the Condensed Consolidated Financial Statements for additional information regarding our derivative instruments and hedging activities.

BUSINESS COMBINATIONS

On January 1, 2009, we adopted new accounting guidance on business combinations. The new guidance revises principles and requirements for how a company (a) recognizes and measures in their financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest (previously referred to as minority interest); (b) recognizes and measures the goodwill acquired in a business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a business combination. Some of the major impacts of this new guidance include expense recognition for transaction costs and restructuring costs. The adoption of this guidance has not had a material impact on our financial position, results of operations, or cash flows.

NONCONTROLLING INTERESTS

On January 1, 2009, we adopted new accounting guidance on noncontrolling interests. The new guidance addresses the accounting and reporting for the outstanding noncontrolling interest (previously referred to as minority interest) in a subsidiary and for the deconsolidation of a subsidiary. It also establishes additional disclosures in the consolidated financial statements that identify and distinguish between the interests of the parent's owners and of the noncontrolling owners of a subsidiary. The guidance requires retroactive adoption of the presentation and disclosure requirements for existing minority interests while all other requirements of the guidance are applied prospectively.

REVENUE RECOGNITION

In September 2009, new guidance was introduced addressing the accounting for revenue arrangements with multiple elements and certain revenue arrangements that include software elements. The new literature will allow companies to allocate arrangement consideration in a multiple element arrangement in a way that better reflects the economics of the transaction. This will result in the elimination of the residual method model. In addition, tangible products that have software components that are "essential to the functionality" of the tangible product will be scoped out of the software revenue guidance. The new guidance will also result in more expansive disclosures. The new guidance will be effective on January 1, 2011, with early adoption permitted. We are currently evaluating the impact of adopting the new guidance.

Regulatory Matters

There have been no significant changes to the regulatory matters disclosed in our 2008 Annual Report on Form 10-K.

Forward-Looking Statements

We want to caution readers that any forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 in this Form 10-K, other reports or press releases or made by our management involve risks and uncertainties which may change based on various important factors. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements are those which talk about our current expectations as to the future and include, but are not limited to, statements about the amounts, timing and results of possible restructuring charges and future earnings. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," and similar expressions may identify such forward-looking statements. Some of the factors which could cause future financial performance to differ materially from the expectations as expressed in any forward-looking statement made by or on our behalf include:

- changes in international or national political conditions, including any terrorist attacks
- negative developments in economic conditions, including adverse impacts on customer demand
- changes in postal or banking regulations
- timely development and acceptance of new products
- success in gaining product approval in new markets where regulatory approval is required
- successful entry into new markets
- mailers' utilization of alternative means of communication or competitors' products
- our success at managing customer credit risk
- our success at managing costs associated with our strategy of outsourcing functions and operations not central to our business
- changes in interest rates
- foreign currency fluctuations
- cost, timing and execution of our transition plans including any potential asset impairments
- regulatory approvals and satisfaction of other conditions to consummation of any acquisitions and integration of recent acquisitions
- interrupted use of key information systems
- changes in privacy laws
- intellectual property infringement claims
- impact on mail volume resulting from current concerns over the use of the mail for transmitting harmful biological agents
- third-party suppliers' ability to provide product components, assemblies or inventories
- negative income tax adjustments for prior audit years and changes in tax laws or regulations
- changes in pension and retiree medical costs
- acts of nature

Item 3: Quantitative and Qualitative Disclosures about Market Risk

There were no material changes to the disclosures made in the Annual Report on Form 10-K for the year ended December 31, 2008 regarding this matter.

Item 4: Controls and Procedures

Disclosure controls and procedures are designed to reasonably assure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed to reasonably assure that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate to allow timely decisions regarding required disclosure.

Under the direction of our CEO and CFO, we evaluated the effectiveness of our disclosure controls and procedures and internal control over financial reporting. The CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2009. In addition, no change in internal control over financial reporting occurred during the quarter ended September 30, 2009, that has materially affected, or is reasonably likely to materially affect, such internal control over financial reporting. It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness, and there can be no assurance that any design will succeed in achieving its stated goals. Notwithstanding this caution, the disclosure controls and procedures are designed to provide reasonable assurance of achieving their stated objectives, and the CEO and CFO have concluded that the disclosure controls and procedures are effective at that reasonable assurance level.

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

In the ordinary course of business, we are routinely defendants in or party to a number of pending and threatened legal actions. These may involve litigation by or against us relating to, among other things, contractual rights under vendor, insurance or other contracts; intellectual property or patent rights; equipment, service, payment or other disputes with customers; or disputes with employees. Some of these actions may be brought as a purported class action on behalf of a purported class of employees, customers or others.

Our wholly-owned subsidiary, Imagitas, Inc., is a defendant in ten purported class actions filed in six different states. These lawsuits have been coordinated in the United States District Court for the Middle District of Florida, In re: Imagitas, Driver's Privacy Protection Act Litigation (Coordinated, May 28, 2007). Each of these lawsuits alleges that the Imagitas DriverSource program violated the federal Drivers Privacy Protection Act (DPPA). Under the DriverSource program, Imagitas entered into contracts with state governments to mail out automobile registration renewal materials along with third party advertisements, without revealing the personal information of any state resident to any advertiser. The DriverSource program assisted the state in performing its governmental function of delivering these mailings and funding the costs of them. Imagitas has discontinued its DriverSource program. The plaintiffs in these actions are seeking statutory damages under the DPPA. On April 9, 2008, the District Court granted Imagitas' motion for summary judgment in one of the coordinated cases, Rine, et al. v. Imagitas, Inc. (United States District Court, Middle District of Florida, filed August 1, 2006). On July 30, 2008, the District Court issued a final judgment in the Rine lawsuit and stayed all of the other cases filed against Imagitas pending an appellate decision in Rine. On August 27, 2008, the Rine plaintiffs filed an appeal of the District Court's decision in the United States Court of Appeals, Eleventh Judicial Circuit. The appellate process in this case is proceeding.

We expect to prevail in the lawsuits against Imagitas; however, as litigation is inherently unpredictable, there can be no assurance in this regard. If the plaintiffs do prevail, the results may have a material effect on our financial position, future results of operations or cash flows, including, for example, our ability to offer certain types of goods or services in the future.

On October 28, 2009, the Company and certain of our current and former officers, were named as defendants in NECA-IBEW Health & Welfare Fund v. Pitney Bowes Inc. et al., a class action lawsuit filed in the U.S. District Court for the District of Connecticut. The complaint asserts claims under the Securities Exchange Act of 1934 on behalf of those who purchased the common stock of the Company during the period between July 30, 2007 and October 29, 2007. We believe this case is without merit and intend to defend it vigorously.

Item 1A: Risk Factors

There were no material changes to the risk factors identified in the Annual Report on Form 10-K for the year ended December 31, 2008.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases of Equity Securities

We repurchase shares of our common stock under a systematic program to manage the dilution created by shares issued under employee stock plans and for other purposes. This program authorizes repurchases in the open market. We have not repurchased or acquired any other shares of our common stock during 2009 in any other manner.

No shares were purchased during the third quarter of 2009, leaving approximately $73.4 million available for future repurchases under this program at September 30, 2009.

Item 3: Defaults Upon Senior Securities

None

Item 4: Submission of Matters to a Vote of Security Holders

None

Item 5: Other Information

Attached hereto as Exhibit 10 is the form of Notice of Cash Incentive Unit Award, Nonqualified Stock Option and Restricted Stock Unit Award (the “Notice”), to be used to set forth the terms of grants, including grants to the Company’s named executive officers, of cash incentive units (“CIUs”), nonqualified stock options (“Options”) and restricted stock units (“RSUs”) pursuant to the Pitney Bowes 2007 Stock Plan (the “2007 Plan”), in the case of Options and RSUs and pursuant to the Pitney Bowes Inc. Key Employees Incentive Plan (the “KEIP,” and together with the 2007 Plan, the “Plans”) in the case of CIUs. The form of Notice of Cash Incentive Unit Award and Nonqualified Stock Option were previously filed as Exhibit (10)(n) to Form 10-Q, filed May 4, 2006. The terms of this Notice were approved by the Executive Compensation Committee of the Board of Directors of Company at the time of the grant of each applicable award.

The Notice contemplates that awards will vest pursuant to the vesting schedules set forth in the Notice, subject to the continued employment of the participant, the terms and conditions of the Notice and the Plans. Pursuant to the Notice, a participant will forfeit any unvested portion of their awards upon a voluntary resignation or a termination by the Company due to Gross Misconduct (as defined in the applicable Plan). CIUs will be prorated upon a termination due to death, Disability (as defined in the KEIP), Retirement (as defined in the KEIP) or upon an involuntary termination, provided that a prorated payment upon an involuntary termination will only be available if the termination is pursuant to the terms of a written severance agreement, the recipient is not Retirement eligible and if the award has been outstanding for at least one year as of the last day the employee actually worked. Pursuant to the terms of the Notice, Options and RSUs will be subject to immediate vesting upon a termination due to death, Disability (as defined in the 2007 Plan) or Retirement (as defined in the 2007 Plan). Options and RSUs will continue to vest upon an involuntary termination, if a written severance agreement is entered into in connection with such termination, according to the terms of such written severance agreement. Upon the settlement of RSUs, the Company will withhold the number of RSUs having the fair market value sufficient to satisfy the statutory minimum withholding tax.

The foregoing description of the terms of the Notice is qualified in its entirety by reference to the actual terms of the Notice, which are attached hereto as Exhibits 10.

Item 6: Exhibits

See Index of Exhibits.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PITNEY BOWES INC.

November 6, 2009

/s/ Michael Monahan

Michael Monahan
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

/s/ S. J. Green

S. J. Green
Vice President – Finance and
Chief Accounting Officer
(Principal Accounting Officer)

Exhibit Index

Exhibit Number	Description	Page Number
(3)(i)(a)*	Restated Certificate of Incorporation, as amended, incorporated by reference to Exhibit (3) to Form 10-Q as filed with the Commission on August 14, 1996. (Commission file number 1-3579)	Not applicable
(3)(i)(b)*	Certificate of Amendment to the Restated Certificate of Incorporation (as amended May 29, 1996), incorporated by reference to Exhibit (a.1) to Form 10-K as filed with the Commission on March 27, 1998. (Commission file number 1-3579)	Not applicable
(3)(ii)*	Pitney Bowes Inc. Amended and Restated By-laws, incorporated by reference to Exhibit (3)(ii) to Form 10-Q as filed with the Commission on August 6, 2007. (Commission file number 1-3579)	Not applicable
(10)	Form of Long-Term Incentive Award	Page 43
(12)	Computation of ratio of earnings to fixed charges	Page 48
(31.1)	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended	Page 49
(31.2)	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended	Page 50
(32.1)	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350	Page 51
(32.2)	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350	Page 52
101.INS	XBRL Report Instance Document	
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Calculation Linkbase Document	
101.LAB	XBRL Taxonomy Label Linkbase Document	
101.PRE	XBRL Taxonomy Presentation Linkbase Document	
*	Incorporated by reference	

EXHIBIT (10)

FORM OF LONG-TERM INCENTIVE AWARD

DATE: **[DATE]**

TO: **[AWARDEE]**

RE: **NOTICE OF CASH INCENTIVE UNIT AWARD, NONQUALIFED STOCK OPTION AND RESTRICTED STOCK UNIT AWARD**

Congratulations on your **[YEAR]** long-term incentive award! This is to certify that your long-term incentive award, determined based on your performance and in recognition of your past and expected future efforts and contributions to the company, is **$[AMOUNT]**. In accordance with the plan design, **[PERCENTAGE]**% of your award has been converted to **[NUMBER]** cash incentive units (CIUs) to be granted under the Pitney Bowes Inc. Key Employees Incentive Plan (the “KEIP”). Another **[PERCENTAGE]**% of your award has been converted to **[NUMBER]** stock options to be granted under the Pitney Bowes 2007 Stock Plan (the “2007 Stock Plan,” and together with the KEIP, the “Plans”) based on the Black-Scholes value of $**[ ]** per option on the date of grant, and the remaining **[PERCENTAGE]**% has been converted to **[NUMBER]** Restricted Stock Units based on the fair market value of Pitney Bowes common stock on the date of award (fair market value on the date of grant is the closing price of Pitney Bowes common stock) to be granted under the 2007 Stock Plan. Capitalized terms used but not defined herein are defined in the applicable Plan. The details of your award are described on the following pages.

Cash Incentive Units (CIUs)

The value of your CIU grant at target is $**[AMOUNT]**. The date of grant, target value, number of units, and vesting date are specified below. Your award will be payable based on pre-established performance standards being met. The details of this program will be discussed in a separate communication.

Grant Date	Target Value	Cash Incentive Units	Vesting Date

Stock Options

You have been granted an option to purchase shares of Pitney Bowes Inc. common stock under the 2007 Stock Plan. The date of grant, the number of shares on which the option has been granted, the option exercise price, the vesting provisions and the expiration of the option grant term are specified below.

Nonqualified Stock Options

Grant Date	Stock Option Shares	Option Exercise Price	Vesting Period / Date	Expiration Date
		$		

Your stock option grant will vest in **[NUMBER]** equal installments on each of the first **[NUMBER]** Anniversary Dates of the Grant Date.

Restricted Stock Units

A restricted stock unit represents your right to one share of Pitney Bowes stock after a specified restriction period. The overall value of this vehicle is the underlying share price at grant and subsequent stock price appreciation. The date of award, the number of units that have been awarded, the award date price, and the vesting provisions are specified below.

Award Date	Restricted Stock Units	Award Date Price	Vesting Period / Date
		$	

Your restricted stock unit grant will vest in **[NUMBER]** equal installments on each of the Anniversary Dates of the Grant Date provided that the Income from Continuing Operations (IFCO) performance criteria is satisfied as specified below.

If the Company's cumulative IFCO, as calculated by the Company using Generally Accepted Accounting Principles, for calendar year [YEAR] equals or exceed [PERCENT]% of [PREVIOUS YEAR] IFCO, the IFCO performance criteria requirement shall be met. The Executive Compensation Committee of the Board of Directors in its sole discretion shall determine whether the IFCO performance criteria set forth under this award has been met.

Termination Provisions:

The Plans provide for what happens in the event of certain terminations of employment with Pitney Bowes. The following charts describe the more common termination events:

CIU's:

TERMINATION EVENT	TREATMENT OF CASH INCENTIVE UNIT CYCLES IN PROGRESS
Death, Disability* or Retirement / bridged to retirement	Prorated based on full months of service through date of death, disability, or retirement / or last day actually worked
Involuntary termination other than for cause (provided that the awardee has executed a written severance agreement acceptable to the Company and is NOT retirement eligible or bridged to retirement)	Prorated – provided that the award has been outstanding for at least one year as of the last day actually worked
Voluntary resignation	Forfeited
Termination for cause, Gross Misconduct.	Forfeited

Stock Options:

TERMINATION EVENT	VESTING TREATMENT OF OPTIONS	POST-EMPLOYMENT EXERCISABILITY OF VESTED OPTIONS
Death or Disability*	Immediate Vesting	Remainder of original term
Retirement / bridged to retirement	Accelerated at Retirement (provided that the grant is partially vested as of the last day actually worked)	Remainder of original term
Involuntary termination other than for cause (provided that the awardee has executed a written severance agreement acceptable to the Company and is NOT retirement eligible or bridged to retirement)	Vesting continues according to the terms of the applicable severance agreement (provided that the grant is partially vested as of the last day actually worked)	Exercise according to Plan terms and the terms of the applicable severance agreement
Voluntary resignation	Forfeited	3 months
Gross Misconduct	Forfeited	Forfeited

Restricted Stock Units:

TERMINATION EVENT	TREATMENT OF UNVESTED RESTRICTED STOCK UNITS
Death or Disability*	Immediate Vesting
Retirement / bridged to retirement	Immediate vesting at Retirement (provided that the award is partially vested as of the last day actually worked)
Involuntary termination other than for cause (provided that the awardee has executed a written severance agreement acceptable to the Company and is NOT retirement eligible or bridged to retirement)	Vesting continues according to the terms of the applicable severance agreement (provided that the grant is partially vested as of the last day actually worked)
Voluntary resignation	Forfeited
Gross Misconduct	Forfeited

* Disability vesting occurs after the completion of 2 years on long term disability, or on the date of termination of employment due to disability, whichever is earlier.

Rights of the Participant with Respect to the Restricted Stock Units
The restricted stock units granted pursuant to this award do not and shall not entitle awardee to any rights of a shareholder of common stock. Participants holding restricted stock units shall not be entitled to receive cash payments equal to any cash dividends and other distributions paid with respect to corresponding number of shares of company stock (dividend equivalent units) nor shall the awardee have voting rights as a shareholder of the company with respect to restricted stock units.

Conversion of Restricted Stock Units; Issuance of Common Stock
After any restricted stock units vest, the company shall promptly cause to be issued common stock in book-entry form as soon as practicable after the vesting date registered in the awardee's name which are granted in payment of such vested whole restricted stock

units. In the case of death, common stock registered in the name of awardee's legal representatives, beneficiaries or heirs will be granted. Upon vesting, the fair market value of the restricted stock unit will be considered ordinary income to you. The company will calculate the fair market value of the restricted stock units at vesting and determine the appropriate taxes required to fulfill the minimum federal, state and local withholding requirements. Fair market value is the average of the high and low price of the common stock on the vesting date. **[NUMBER]** year ratable vesting will occur on the first Tuesday in February of each year following the award date. The company will withhold the number of units having the fair market value sufficient to satisfy the statutory minimum withholding tax. The value of any fractional restricted stock unit shall be used towards the awardee's federal tax obligations. The company will issue the net value in whole shares of Pitney Bowes Inc. common stock posted to the employee's account. Upon settlement of the restricted stock units into common shares of the company stock, the awardee will obtain full voting rights and will be entitled to receive cash dividends and other distributions paid with respect to company stock.

No Vested Rights; Waiver of Claims
This award is granted solely on a discretionary basis considering past and expected future performance and is not intended to create a right or entitlement. Any actual or unrealized gain related to the award will not be considered regular compensation for purposes of severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments, whether under statutory or common law. In addition, no awardee is entitled to have any vested right to continue to receive future awards, nor shall any awards granted to an awardee become a benefit or entitlement of employment. You will have no rights, claim or entitlement to compensation or damages as a result of your termination of employment for any reason whatsoever (whether or not in breach of contract or local law), insofar as these rights, claim or entitlement arise or may arise from (i) your ceasing to have rights under or be entitled to any award as a result of such termination or (ii) loss or diminution in value of the award as a result of such termination, and you irrevocably release your employer, the Company and its affiliates, as applicable, from any such rights, entitlement or claim that may arise. If, notwithstanding the foregoing, any such right or claim is found by a court of competent jurisdiction to have arisen, then, by accepting this award, you will be deemed to have irrevocably waived your entitlement to pursue such rights or claim. By accepting this award, you authorize the company to withhold appropriate taxes if and when it determines the award becomes taxable to you. If you engage in "Gross Misconduct", as defined in the Plans, all of your outstanding awards as of your date of termination shall be forfeited immediately. The plan and programs under which future stock options, restricted stock units and cash incentive units are awarded are subject to amendment, modification or termination by the company at any time.

Data Privacy
In order for Pitney Bowes to perform its administrative and legal requirements under the Plan, you agree to allow the company to collect, process and transfer personal data about you, as described below. Such data includes, without limitation, the information provided in the award materials and other personal data such as your name, work address, work telephone, employment status, salary, details of common stock and awards for common stock held or previously made and any other personal data required and relevant to the administration of the Plans, tax compliance and reporting purposes. Because Pitney Bowes is a multinational company, in the case of non-U.S. residents, such personal data will be transferred to the United States of America and possibly to other locations where Plan administration information collection and processing may occur.

Your explicit consent to collect, use, store and transfer any such personal data extends to Pitney Bowes Inc. and any of its subsidiaries, any outside third-party plan administrators as selected by the company and any other person that the company may engage in the administration of the Plans. You may exercise your right to access and correct your personal data at any time by contacting your local human resources representative or by accessing SAP, where available. By accepting this award, you give your explicit and voluntary consent to the collection, use, and storage of your personal data for purposes described in this award.

Terms of the Pitney Bowes Stock Plan
The option and restricted stock unit award is subject in all respects to the detailed terms and conditions of the 2007 Stock Plan. Further information concerning the Plan appears in the enclosed prospectus and is also available online at www.computershare.com. This document, dated **[DATE]** constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933. You should read all of these documents to understand important information about this program, the Company and its stock, the terms of your participation in the program and the tax implications of the program.
[signature page follows]

IN WITNESS WHEREOF, this option, restricted stock unit, and cash incentive unit Award has been duly executed as of **[DATE]**.

Pitney Bowes Inc.

By: ______________________________

Senior Vice President and
Chief Human Resources Officer

By receipt of this Notice of Grant, you agree to accept the terms of the award as set forth herein, in the Pitney Bowes Inc. 2007 Stock Plan and in the Pitney Bowes Inc. Key Employees Incentive Plan.

Exhibit (12)

PITNEY BOWES INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (1)

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Income from continuing operations before income taxes	**$ 167,969**	$ 176,288	**$ 525,684**	$ 586,090
Add:				
Interest expense (2)	**51,219**	57,738	**158,413**	177,195
Portion of rents representative of the interest factor	**10,126**	10,566	**30,207**	32,877
Amortization of capitalized interest	**429**	430	**1,287**	1,288
Income as adjusted	**$ 229,743**	$ 245,022	**$ 715,591**	$ 797,450
Fixed charges:				
Interest expense	**$ 51,219**	$ 57,738	**$ 158,413**	$ 177,195
Portion of rents representative of the interest factor	**10,126**	10,566	**30,207**	32,877
Noncontrolling interests (preferred stock dividends of subsidiaries), excluding taxes	**7,040**	10,792	**21,631**	25,508
Total fixed charges	**$ 68,385**	$ 79,096	**$ 210,251**	$ 235,580
Ratio of earnings to fixed charges	**3.36**	3.10	**3.40**	3.39

(1) The computation of the ratio of earnings to fixed charges has been computed by dividing income from continuing operations before income taxes as adjusted by fixed charges. Included in fixed charges is one-third of rental expense as the representative portion of interest.

(2) Interest expense includes both financing interest expense and other interest expense.

Exhibit (31.1)

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Murray D. Martin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pitney Bowes Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2009

/s/ Murray D. Martin

Murray D. Martin
Chairman, President and Chief Executive Officer

Exhibit (31.2)

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Monahan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pitney Bowes Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2009

/s/ Michael Monahan

Michael Monahan
Executive Vice President and Chief Financial Officer

Exhibit (32.1)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Pitney Bowes Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Murray D. Martin, Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Murray D. Martin

Murray D. Martin
Chairman, President and Chief Executive Officer
Date: November 6, 2009

Exhibit (32.2)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pitney Bowes Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Monahan, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Monahan

Michael Monahan
Executive Vice President and Chief Financial Officer
Date: November 6, 2009