

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended
June 30, 2007

Commission File Number 1-3579

PITNEY BOWES INC.

Incorporated in Delaware

I.R.S. Employer Identification
No. 06-0495050

World Headquarters
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(203) 356-5000

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 is an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

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

Yes ☐ No ☒

There were 218,925,040 shares of common stock outstanding as of July 31, 2007.

PITNEY BOWES INC.
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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 June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenue:				
Equipment sales	\$ 360,361	\$ 319,635	\$ 653,971	\$ 622,392
Supplies	96,398	82,873	196,700	165,684
Software	88,242	47,640	131,324	89,635
Rentals	180,911	197,226	368,981	394,038
Financing	194,837	174,447	385,417	352,592
Support services	192,773	176,339	379,077	347,105
Business services	429,512	391,050	841,801	779,409
Total revenue	<u>1,543,034</u>	<u>1,389,210</u>	<u>2,957,271</u>	<u>2,750,855</u>
Costs and expenses:				
Cost of equipment sales	168,958	159,780	317,214	312,760
Cost of supplies	24,725	19,796	50,848	40,404
Cost of software	21,076	11,103	32,624	21,282
Cost of rentals	43,261	42,300	85,682	85,839
Cost of support services	107,317	98,453	212,821	194,749
Cost of business services	339,972	303,583	663,623	609,907
Selling, general and administrative	488,115	432,531	913,517	850,193
Research and development	47,104	40,980	90,673	82,516
Restructuring charges	-	5,041	-	10,638
Interest, net	62,541	55,070	119,268	108,638
Total costs and expenses	<u>1,303,069</u>	<u>1,168,637</u>	<u>2,486,270</u>	<u>2,316,926</u>
Income from continuing operations before income taxes and minority interest	239,965	220,573	471,001	433,929
Provision for income taxes	81,588	96,077	161,294	169,657
Minority interest	4,796	3,244	9,542	6,161
Income from continuing operations	153,581	121,252	300,165	258,111
Net loss from discontinued operations, net of tax	<u>(1,342)</u>	<u>(477,326)</u>	<u>(3,130)</u>	<u>(460,657)</u>
Net income (loss)	<u>\$ 152,239</u>	<u>\$ (356,074)</u>	<u>\$ 297,035</u>	<u>\$ (202,546)</u>
Basic earnings (loss) per share of common stock:				
Continuing operations	\$ 0.70	\$ 0.55	\$ 1.37	\$ 1.15
Discontinued operations	<u>(0.01)</u>	<u>(2.15)</u>	<u>(0.01)</u>	<u>(2.06)</u>
Net income (loss)	<u>\$ 0.69</u>	<u>\$ (1.61)</u>	<u>\$ 1.35</u>	<u>\$ (0.91)</u>
Diluted earnings (loss) per share of common stock:				
Continuing operations	\$ 0.69	\$ 0.54	\$ 1.35	\$ 1.14
Discontinued operations	<u>(0.01)</u>	<u>(2.13)</u>	<u>(0.01)</u>	<u>(2.03)</u>
Net income (loss)	<u>\$ 0.68</u>	<u>\$ (1.59)</u>	<u>\$ 1.33</u>	<u>\$ (0.89)</u>
Dividends declared per share of common stock	<u>\$ 0.33</u>	<u>\$ 0.32</u>	<u>\$ 0.66</u>	<u>\$ 0.64</u>

Note: 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 per share data)

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 251,967	\$ 239,102
Short-term investments	97,842	62,512
Accounts receivables, less allowances of \$46,736 and \$50,052 at June 30, 2007 and December 31, 2006, respectively	795,873	744,073
Finance receivables, less allowances of \$40,923 and \$45,643 at June 30, 2007 and December 31, 2006, respectively	1,453,391	1,404,070
Inventories	248,588	237,817
Other current assets and prepayments	246,650	231,096
Total current assets	3,094,311	2,918,670
Property, plant and equipment, net	626,576	612,640
Rental property and equipment, net	504,213	503,911
Long-term finance receivables, less allowances of \$33,179 and \$36,856 at June 30, 2007 and December 31, 2006, respectively	1,557,005	1,530,153
Investment in leveraged leases	226,824	215,371
Goodwill	2,140,810	1,791,157
Intangible assets, net	492,795	365,192
Other assets	548,341	543,326
Total assets	<u>\$ 9,190,875</u>	<u>\$ 8,480,420</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,613,887	\$ 1,677,501
Income taxes payable	107,202	112,930
Notes payable and current portion of long-term obligations	1,180,815	490,540
Advance billings	556,004	465,862
Total current liabilities	3,457,908	2,746,833
Deferred taxes on income	507,671	356,310
Long-term debt	3,636,998	3,847,617
Other noncurrent liabilities	436,090	446,306
Total liabilities	8,038,667	7,397,066
Preferred stockholders' equity in a subsidiary company	384,165	384,165
Stockholders' equity:		
Cumulative preferred stock, \$50 par value, 4% convertible	7	7
Cumulative preference stock, no par value, \$2.12 convertible	1,043	1,068
Common stock, \$1 par value (480,000,000 shares authorized 323,337,912 shares issued)	323,338	323,338
Capital in excess of par value	244,700	235,558
Retained earnings	4,207,572	4,140,128
Accumulated other comprehensive income	(53,770)	(131,744)
Treasury stock, at cost (104,084,764 and 102,724,590 shares at June 30, 2007 and December 31, 2006, respectively)	(3,954,847)	(3,869,166)
Total stockholders' equity	768,043	699,189
Total liabilities and stockholders' equity	<u>\$ 9,190,875</u>	<u>\$ 8,480,420</u>

See Notes to Condensed Consolidated Financial Statements

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

	<u>Six Months Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net income (loss)	\$ 297,035	\$ (202,546)
Loss on sale of Capital Services, net of tax	-	442,205
Gain on sale of Imagistics, net of tax	-	(11,641)
Non-cash charge from FSC tax law change	-	16,209
Non-cash tax charge	-	61,000
Restructuring and other charges, net of tax	-	6,808
Restructuring and other payments	(18,907)	(27,937)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	188,883	178,972
Stock-based compensation	12,338	13,793
Changes in operating assets and liabilities, excluding effects of acquisitions:		
Accounts receivable	28,080	29,312
Net investment in internal finance receivables	(55,925)	(58,010)
Inventories	(4,107)	(9,982)
Other current assets and prepayments	1,138	2,837
Accounts payable and accrued liabilities	(113,060)	(75,159)
Deferred taxes on income and income taxes payable	64,817	(1,426)
Advanced billings	33,522	18,290
Other, net	(26,838)	13,620
Net cash provided by operating activities	<u>406,976</u>	<u>396,345</u>
Cash flows from investing activities:		
Short-term investments	9,055	(23,302)
Capital expenditures	(128,421)	(162,428)
Net investment in external financing	(3,269)	68,195
Net proceeds from sale of Imagistics lease portfolio	-	281,653
Advance against COLI cash surrender value	-	138,381
Acquisitions, net of cash acquired	(522,544)	(157,984)
Reserve account deposits	9,504	-
Net cash (used in) provided by investing activities	<u>(635,675)</u>	<u>144,515</u>
Cash flows from financing activities:		
Proceeds from notes payable, net	487,061	184,099
Principal payments on long-term obligations	(8,104)	(357,485)
Proceeds from issuance of stock	79,902	44,103
Stock repurchases	(175,000)	(292,674)
Dividends paid	(145,228)	(143,291)
Net cash provided by (used in) financing activities	<u>238,631</u>	<u>(565,248)</u>
Effect of exchange rate changes on cash	<u>2,933</u>	<u>2,548</u>
Increase (decrease) in cash and cash equivalents	12,865	(21,840)
Cash and cash equivalents at beginning of period	239,102	243,509
Cash included in assets of discontinued operations	-	(25,354)
Cash and cash equivalents at end of period	<u>\$ 251,967</u>	<u>\$ 196,315</u>
Interest paid	<u>\$ 108,550</u>	<u>\$ 110,060</u>
Income taxes paid, net	<u>\$ 89,641</u>	<u>\$ 160,266</u>

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

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, 2006 Condensed Consolidated Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In our opinion, all adjustments (consisting of only normal recurring adjustments) considered necessary to present fairly our financial position at June 30, 2007 and December 31, 2006, our results of operations for the three and six months ended June 30, 2007 and 2006 and our cash flows for the six months ended June 30, 2007 and 2006 have been included. Operating results for the three and six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for any other interim period or the year ending December 31, 2007.

These statements should be read in conjunction with the financial statements and notes thereto included in our 2006 Annual Report to Stockholders on Form 10-K.

Certain prior year amounts have been reclassified to conform with the current period presentation.

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, and production mail equipment; supplies; mailing and multi-vendor support services; payment solutions; and mailing, customer communication and location intelligence software. Mailstream Services includes worldwide revenue and related expenses from facilities management contracts, reprographics, document management, and other value-added services for targeted customer markets; mail services operations, which include presort mail services and international outbound mail services; and marketing services. See Note 7 for details of our reporting segments and a description of their activities.

In 2006, we completed the sale of our Imagistics lease portfolio and our Capital Services external financing business. Both Imagistics' and Capital Services' results of operations have been reported as discontinued operations for all periods presented. See Note 4 for additional information on the discontinued operations.

3. Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes*, which supplements Statement of Financial Accounting Standard No. 109, *Accounting for Income Taxes*, by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. FIN 48 requires the tax effect of a position to be recognized only if it is “more-likely-than-not” to be sustained based solely on its technical merits as of the reporting date. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are recognized. This is a different standard for recognition than was previously required. The more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. At adoption, companies must adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained as of the adoption date. Any necessary adjustment is recorded directly to opening retained earnings in the period of adoption and reported as a change in accounting principle. We adopted the provisions of FIN 48 on January 1, 2007 which resulted in a decrease to opening retained earnings of \$84.4 million, with a corresponding increase in our tax liabilities.

In July 2006, the FASB issued FASB Staff Position (FSP) No. FAS 13-2, *Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction*, that provides guidance on how a change or a potential change in the timing of cash flows relating to income taxes generated by a leveraged lease transaction affects the accounting by a lessor for the lease. We adopted the provisions of FSP No. FAS 13-2 on January 1, 2007. Our adoption of this FSP did not have a material impact on our financial position, results of operations or cash flows.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157), to define how the fair value of assets and liabilities should be measured in more than 40 other accounting standards where it is allowed or required. In addition to defining fair value, the statement establishes a framework within GAAP for measuring fair value and expands required disclosures surrounding fair-value measurements. While it will change the way companies currently measure fair value, it does not establish any new instances where fair-value measurement is required. SFAS 157 defines fair value as an amount that a company would receive if it sold an asset or paid to transfer a liability in a normal transaction between market participants in the same market where the company does business. It emphasizes that the value is based on assumptions that market participants would use, not necessarily only the company that might buy or sell the asset. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, with early adoption allowed. We are currently evaluating the impact of adopting this Statement.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of adopting this Statement.

4. Discontinued Operations

During the second quarter of 2006, we completed the sale of our Imagistics lease portfolio to De Lage Landen Operational Services, LLC, a subsidiary of Rabobank Group, and reported the results of the Imagistics lease portfolio in discontinued operations. Imagistics' results were previously included in our Capital Services segment.

During the third quarter of 2006, we completed the sale of our Capital Services external financing business to Cerberus Capital Management, L.P. and reported the results of the Capital Services business in discontinued operations in the second quarter of 2006. This sale resulted in the disposition of most of the external financing activity in the Capital Services segment. We have retained certain leveraged leases in Canada which are now included in our International Mailing segment.

The following table shows selected financial information included in discontinued operations for the three and six months ended June 30, 2007 and 2006, respectively:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
Discontinued Operations	2007	2006	2007	2006
Revenue	\$ -	\$ 34,523	\$ -	\$ 76,981
Pretax income	\$ -	\$ 17,940	\$ -	\$ 39,950
Net (loss) income	\$ (1,342)	\$ 10,447	\$ (3,130)	\$ 27,116
Gain on sale of Imagistics, net of \$7,443 tax	-	11,641	-	11,641
FSC tax law change	-	(16,209)	-	(16,209)
Additional tax on IRS settlement	-	(41,000)	-	(41,000)
Loss on sale of Capital Services, net of \$282,722 tax benefit	-	(442,205)	-	(442,205)
Total discontinued operations, net of tax	<u>\$ (1,342)</u>	<u>\$ (477,326)</u>	<u>\$ (3,130)</u>	<u>\$ (460,657)</u>

Net loss for the three and six months ended June 30, 2007 relates primarily to the accrual of interest on uncertain tax positions. Interest expense included in discontinued operations was \$8.7 million and \$17.8 million for the three and six months ended June 30, 2006, respectively. Interest recorded in discontinued operations in 2006 includes only interest on third-party debt that was assumed by Cerberus. We have not allocated other consolidated interest expense to discontinued operations.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

5. *Acquisitions*

On May 31, 2007, we acquired the remaining shares of Digital Cement, Inc. for \$38 million in cash, net of cash acquired. Digital Cement, Inc. provides marketing management strategy and services to help companies acquire, retain, manage, and grow their customer relationships. We assigned the goodwill to the Marketing Services segment.

On April 19, 2007, we acquired MapInfo Corporation for \$448 million in cash, net of cash acquired. Included in the assets and liabilities acquired were short-term investments of \$46 million and debt assumed of \$14 million. MapInfo is a global company and a leading provider of location intelligence software and solutions. We assigned the goodwill to the Software segment. As part of the purchase accounting for MapInfo, we aligned MapInfo's accounting policies for software revenue recognition with ours. Accordingly, certain software revenue that was previously recognized by MapInfo on a periodic basis will now be recognized over the life of the contract.

On July 31, 2006, we acquired Print, Inc. for approximately \$46 million in cash, net of cash acquired. Print, Inc. provides printer supplies, service and equipment under long-term managed services contracts. We assigned the goodwill to the U.S. Mailing segment.

On June 15, 2006, we acquired substantially all the assets of Advertising Audit Service and PMH Caramanning (collectively AAS) for approximately \$42 million in cash. AAS offers a variety of web-based tools for the customization of promotional mail and marketing collateral and designs and manages customer and channel performance solutions. We assigned the goodwill to the Marketing Services segment.

On April 24, 2006, we acquired Ibis Consulting, Inc. (Ibis) for approximately \$65 million in cash, net of cash acquired. Ibis is a leading provider of electronic discovery (eDiscovery) services to law firms and corporate clients. Ibis' technology and offerings complement those of Compulit, which we acquired in 2005, and expands our range of solutions and services for the complex litigation support needs of law firms and corporate legal departments. We assigned the goodwill to the Management Services segment.

On February 8, 2006, we acquired Emtex Ltd. (Emtex) for approximately \$33 million in cash, net of cash acquired. Emtex is a software and services company that allows large-volume mailers to simplify document production and centrally manage complex multi-vendor and multi-site print operations. We assigned the goodwill to the Software segment.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

The following table summarizes selected financial data for the opening balance sheet allocation of the acquisitions in 2007:

	Digital Cement Inc.	MapInfo Corporation
Purchase price allocation		
Short-term investments	\$ -	\$ 46,308
Current assets	2,146	41,213
Other non-current assets	908	46,562
Intangible assets	10,400	126,000
Goodwill	38,903	257,271
Current liabilities	(1,325)	(49,963)
Debt	-	(13,866)
Non-current liabilities	(13,028)	(5,990)
Purchase price, net of cash acquired	<u>\$ 38,004</u>	<u>\$ 447,535</u>
Intangible assets		
Customer relationships	\$ 10,400	\$ 93,000
Mailing software and technology	-	30,000
Trademarks and trade names	-	3,000
Total intangible assets	<u>\$ 10,400</u>	<u>\$ 126,000</u>
Intangible assets amortization period		
Customer relationships	10 years	10 years
Mailing software and technology	-	7 years
Trademarks and trade names	-	2 years
Total weighted average	<u>10 years</u>	<u>9 years</u>

The following table summarizes selected financial data for the opening balance sheet allocations of the acquisitions in 2006:

	Print, Inc.	AAS	Ibis	Emtex
Purchase price allocation				
Current assets	\$ 9,385	\$ 1,989	\$ 6,468	\$ 4,240
Other non-current assets	2,499	789	3,349	1,034
Intangible assets	8,144	8,200	17,700	14,540
Goodwill	34,175	31,670	40,751	25,076
Current liabilities	(7,110)	(1,033)	(3,258)	(11,946)
Non-current liabilities	(1,076)	-	-	(112)
Purchase price, net of cash acquired	<u>\$ 46,017</u>	<u>\$ 41,615</u>	<u>\$ 65,010</u>	<u>\$ 32,832</u>
Intangible assets				
Customer relationships	\$ 8,144	\$ 4,000	\$ 8,800	\$ 3,300
Mailing software and technology	-	4,200	7,800	9,200
Trademarks and trade names	-	-	1,100	2,040
Total intangible assets	<u>\$ 8,144</u>	<u>\$ 8,200</u>	<u>\$ 17,700</u>	<u>\$ 14,540</u>
Intangible assets amortization period				
Customer relationships	6 years	10 years	10 years	10 years
Mailing software and technology	-	5 years	5 years	5 years
Trademarks and trade names	-	-	3 years	5 years
Total weighted average	<u>6 years</u>	<u>7 years</u>	<u>7 years</u>	<u>6 years</u>

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

Allocation of the purchase price to the assets acquired and liabilities assumed has not been finalized for Digital Cement Inc., MapInfo, and Print, Inc. The purchase price allocation for these acquisitions will be finalized upon the completion of working capital closing adjustments and fair value analyses. Final determination of the purchase price and fair values to be assigned may result in adjustments to the preliminary estimated values assigned at the date of acquisition. We do not anticipate significant adjustments to the preliminary estimated values. The amount of tax deductible goodwill added from acquisitions in the six months ended June 30, 2007 was \$22.1 million. The amount of tax deductible goodwill added from acquisitions in the six months ended June 30, 2006 was \$92.1 million.

During the six months ended June 30, 2007, we also completed several smaller acquisitions. The aggregate cost of these acquisitions was \$44.3 million. These acquisitions did not have a material impact on our financial results.

Consolidated impact of acquisitions

The Condensed Consolidated Financial Statements include the results of operations of the acquired businesses from their respective dates of acquisition.

The following unaudited pro forma consolidated revenue has been prepared as if the acquisitions had occurred at the beginning of each period presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Total revenue	\$ 1,552,192	\$ 1,454,242	\$ 3,007,776	\$ 2,882,835

The pro forma earnings results of these acquisitions for the six months ended June 30, 2007 and 2006, respectively, reduced our diluted earnings per share by approximately 4 cents primarily due to the purchase accounting alignment for MapInfo. 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, 2007 and 2006, nor do they purport to be indicative of the results that will be obtained in the future.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

6. Earnings per Share

A reconciliation of the basic and diluted earnings per share computations for the three months ended June 30, 2007 and 2006 is as follows:

	2007			2006		
	Income	Weighted Average Shares	Per Share	(Loss)	Weighted Average Shares	Per Share
Net income (loss)	\$ 152,239			\$ (356,074)		
Less:						
Preferred stock dividends	-			-		
Preference stock dividends	(21)			(20)		
Basic earnings (loss) per share	<u>\$ 152,218</u>	<u>219,460</u>	<u>\$ 0.69</u>	<u>\$ (356,094)</u>	<u>221,635</u>	<u>\$ (1.61)</u>
Effect of dilutive securities:						
Data for basic earnings (loss) per share	\$ 152,218	219,460		\$ (356,094)	221,635	
Preferred stock	-	3		-	8	
Preference stock	21	644		20	687	
Stock options and stock purchase plans		2,294			1,914	
Other stock plans		80			170	
Diluted earnings (loss) per share	<u>\$ 152,239</u>	<u>222,481</u>	<u>\$ 0.68</u>	<u>\$ (356,074)</u>	<u>224,414</u>	<u>\$ (1.59)</u>

A reconciliation of the basic and diluted earnings per share computations for the six months ended June 30, 2007 and 2006 is as follows:

	2007			2006		
	Income	Weighted Average Shares	Per Share	(Loss)	Weighted Average Shares	Per Share
Net income (loss)	\$ 297,035			\$ (202,546)		
Less:						
Preferred stock dividends	-			-		
Preference stock dividends	(42)			(43)		
Basic earnings (loss) per share	<u>\$ 296,993</u>	<u>219,779</u>	<u>\$ 1.35</u>	<u>\$ (202,589)</u>	<u>223,716</u>	<u>\$ (0.91)</u>
Effect of dilutive securities:						
Data for basic earnings (loss) per share	\$ 296,993	219,779		\$ (202,589)	223,716	
Preferred stock	-	3		-	8	
Preference stock	42	648		43	697	
Stock options and stock purchase plans		2,429			2,000	
Other stock plans		109			160	
Diluted earnings (loss) per share	<u>\$ 297,035</u>	<u>222,968</u>	<u>\$ 1.33</u>	<u>\$ (202,546)</u>	<u>226,581</u>	<u>\$ (0.89)</u>

In accordance with SFAS No. 128, *Earnings per Share*, 372,000 and 1.0 million weighted average common stock equivalent shares for the three months ended June 30, 2007 and 2006, respectively, and 326,000 and 934,000 weighted average common stock equivalent shares for the six months ended June 30, 2007 and 2006, 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.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

7. *Segment Information*

We conduct our business activities in seven business segments within the Mailstream Solutions and Mailstream Services business groups. The following details the activities of each segment within the two business groups:

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 and shipping equipment; supplies, equipment-based software, support and other professional services; and payment solutions.

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

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

Mailstream Services:

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

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

Marketing Services: Includes our direct marketing services for targeted customers; our web-tools for the customization of promotional mail and marketing collateral; and other marketing consulting services.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

Revenue and earnings before interest and taxes (EBIT) by business segment for the three and six months ended June 30, 2007 and 2006 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenue:				
U.S. Mailing	\$ 633,076	\$ 567,766	\$ 1,209,322	\$ 1,142,757
International Mailing	252,390	249,490	510,240	488,998
Production Mail	139,814	133,264	264,584	250,056
Software	88,242	47,640	131,324	89,635
Mailstream Solutions	1,113,522	998,160	2,115,470	1,971,446
Management Services	275,052	267,548	547,711	535,051
Mail Services	114,424	90,749	218,783	184,847
Marketing Services	40,036	32,753	75,307	59,511
Mailstream Services	429,512	391,050	841,801	779,409
Total revenue	\$ 1,543,034	\$ 1,389,210	\$ 2,957,271	\$ 2,750,855
	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
EBIT: (1)				
U.S. Mailing	\$ 262,108	\$ 234,104	\$ 504,259	\$ 465,479
International Mailing	36,621	42,379	82,887	87,722
Production Mail	18,225	15,281	25,940	18,844
Software	16,994	5,207	19,419	9,617
Mailstream Solutions	333,948	296,971	632,505	581,662
Management Services	16,005	21,860	36,789	42,391
Mail Services	12,582	8,970	26,658	20,656
Marketing Services	619	3,616	1,139	5,716
Mailstream Services	29,206	34,446	64,586	68,763
Total EBIT	363,154	331,417	697,091	650,425
Unallocated amounts:				
Interest, net	(62,541)	(55,070)	(119,268)	(108,638)
Corporate expense	(52,748)	(50,733)	(98,922)	(97,220)
Restructuring charges	-	(5,041)	-	(10,638)
MapInfo purchase accounting alignment	(7,900)	-	(7,900)	-
Income from continuing operations before income taxes and minority interest	\$ 239,965	\$ 220,573	\$ 471,001	\$ 433,929

(1) EBIT excludes general corporate expenses, restructuring charges and the MapInfo purchase accounting alignment.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

8. Inventories

Inventories are composed of the following:

	June 30, 2007	December 31, 2006
Raw materials and work in process	\$ 100,147	\$ 97,870
Supplies and service parts	79,537	82,669
Finished products	68,904	57,278
Total	<u>\$ 248,588</u>	<u>\$ 237,817</u>

9. Fixed Assets

	June 30, 2007	December 31, 2006
Property, plant and equipment	\$ 1,838,622	\$ 1,831,140
Accumulated depreciation	<u>(1,212,046)</u>	<u>(1,218,500)</u>
Property, plant and equipment, net	<u>\$ 626,576</u>	<u>\$ 612,640</u>
Rental property and equipment	\$ 1,164,685	\$ 1,163,705
Accumulated depreciation	<u>(660,472)</u>	<u>(659,794)</u>
Rental property and equipment, net	<u>\$ 504,213</u>	<u>\$ 503,911</u>

Depreciation expense was \$80.2 million and \$77.5 million for the three months ended June 30, 2007 and 2006, respectively. Depreciation expense was \$158.3 million and \$154.8 million for the six months ended June 30, 2007 and 2006, respectively. Depreciation expense includes amounts from discontinued operations of \$4.2 million and \$9.2 million for the three and six months ended June 30, 2006, respectively.

10. Intangible Assets and Goodwill

Intangible assets are composed of the following:

	June 30, 2007			December 31, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 430,423	\$ (98,601)	\$ 331,822	\$ 314,768	\$ (84,439)	\$ 230,329
Supplier relationships	33,300	(7,834)	25,466	33,300	(5,954)	27,346
Software & technology	169,399	(50,132)	119,267	134,476	(42,357)	92,119
Trademarks & trade names	31,961	(16,695)	15,266	28,961	(14,716)	14,245
Non-compete agreements	5,259	(4,285)	974	5,247	(4,094)	1,153
	<u>\$ 670,342</u>	<u>\$ (177,547)</u>	<u>\$ 492,795</u>	<u>\$ 516,752</u>	<u>\$ (151,560)</u>	<u>\$ 365,192</u>

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Amortization expense for intangible assets for the three months ended June 30, 2007 and 2006 was \$17.4 million and \$12.1 million, respectively. Amortization expense for intangible assets for the six months ended June 30, 2007 and 2006 was \$30.6 million and \$24.1 million, respectively. Estimated intangible assets amortization expense for the remainder of 2007 and the next five years is as follows:

	Amount
Remaining for the year ending 12/31/07	\$ 34,000
For the year ending 12/31/08	72,000
For the year ending 12/31/09	68,000
For the year ending 12/31/10	61,000
For the year ending 12/31/11	54,000
Thereafter	204,000
	<u>\$ 493,000</u>

Changes in the carrying amount of goodwill by business segment for the six months ended June 30, 2007 are as follows:

	Balance at January 1, 2007	Acquired during the period	Other	Balance at June 30, 2007
U.S. Mailing	\$ 84,380	\$ 10,874	\$ 31,947	\$ 127,201
International Mailing	392,434	-	(15,029)	377,405
Production Mail	102,848	4,165	759	107,772
Software	340,062	261,669	1,671	603,402
Mailstream Solutions	919,724	276,708	19,348	1,215,780
Management Services	429,990	-	2,217	432,207
Mail Services	216,709	6,461	4,613	227,783
Marketing Services	224,734	38,691	1,615	265,040
Mailstream Services	871,433	45,152	8,445	925,030
Total	<u>\$ 1,791,157</u>	<u>\$ 321,860</u>	<u>\$ 27,793</u>	<u>\$ 2,140,810</u>

“Other” includes the impact of post closing acquisition and foreign currency translation adjustments.

11. Long-term Debt

On June 30, 2007, \$1.1 billion remained available under the shelf registration statement filed in February 2005 with the Securities and Exchange Commission (SEC), permitting issuances of up to \$2.5 billion in debt securities, preferred stock, preference stock, common stock, purchase contracts, depository shares, warrants and units.

12. Comprehensive Income

Comprehensive income for the three and six months ended June 30, 2007 and 2006 was as follows:

	Three Months Ended June 30, 2007	2006	Six Months Ended June 30, 2007	2006
Net income (loss)	\$ 152,239	\$ (356,074)	\$ 297,035	\$ (202,546)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	59,445	82,730	71,118	102,938
Amortization of pension & postretirement benefit costs	5,191	-	10,283	-
Net unrealized (loss) gain on derivatives	(633)	1,666	(3,427)	1,666
Comprehensive income (loss)	<u>\$ 216,242</u>	<u>\$ (271,678)</u>	<u>\$ 375,009</u>	<u>\$ (97,942)</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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13. *Restructuring Charges*

Pre-tax restructuring reserves at June 30, 2007 related to the program that we completed in 2006 are composed of the following:

	Balance at January 1, 2007	Cash payments	Balance at June 30, 2007
Severance and benefit costs	\$ 31,265	\$ (17,821)	\$ 13,444
Other exit costs	2,284	(1,086)	1,198
	<u>\$ 33,549</u>	<u>\$ (18,907)</u>	<u>\$ 14,642</u>

The outstanding balance is expected to be substantially paid by the end of 2007.

Pre-tax restructuring reserves at December 31, 2006 are composed of the following:

	Balance at January 1, 2006	Restructuring charges	Cash payments	Non-cash charges	Balance at December 31, 2006
Severance and benefit costs	\$ 44,635	\$ 33,254	\$ (46,624)	\$ -	\$ 31,265
Asset impairments	-	754	-	(754)	-
Other exit costs	5,235	1,991	(4,942)	-	2,284
	<u>\$ 49,870</u>	<u>\$ 35,999</u>	<u>\$ (51,566)</u>	<u>\$ (754)</u>	<u>\$ 33,549</u>

14. *Pensions and Other Benefit Plans*

Defined Benefit Pension Plans

The components of net periodic benefit cost for defined benefit pension plans for the three months ended June 30, 2007 and 2006 are as follows:

	United States		Foreign	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2007	2006	2007	2006
Service cost	\$ 7,076	\$ 7,060	\$ 3,152	\$ 2,723
Interest cost	23,058	24,467	6,799	5,551
Expected return on plan assets	(31,335)	(33,366)	(9,082)	(7,730)
Amortization of transition cost	-	-	(165)	(164)
Amortization of prior service cost	(531)	(570)	161	152
Amortization of net loss	6,882	9,290	1,803	2,797
Settlement/curtailment	-	-	173	-
Net periodic benefit cost	<u>\$ 5,150</u>	<u>\$ 6,881</u>	<u>\$ 2,841</u>	<u>\$ 3,329</u>

	United States		Foreign	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Service cost	\$ 14,151	\$ 14,931	\$ 6,258	\$ 5,387
Interest cost	46,111	47,984	13,516	10,981
Expected return on plan assets	(62,664)	(65,866)	(18,073)	(15,294)
Amortization of transition cost	-	-	(324)	(326)
Amortization of prior service cost	(1,062)	(1,118)	321	302
Amortization of net loss	13,763	17,081	3,606	5,365
Settlement/curtailment	-	-	345	-
Net periodic benefit cost	<u>\$ 10,299</u>	<u>\$ 13,012</u>	<u>\$ 5,649</u>	<u>\$ 6,415</u>

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As previously discussed in our 2006 Annual Report to Stockholders on Form 10-K, we expect to contribute up to \$8 million and up to \$10 million, respectively, to our U.S. and foreign pension plans during 2007. At June 30, 2007, \$5.4 million and \$6.0 million of contributions have been made to the U.S. and foreign pension plans, respectively.

Nonpension Postretirement Benefit Plans

The components of net periodic benefit cost for nonpension postretirement benefit plans for the three and six months ended June 30, 2007 and 2006 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Service cost	\$ 837	\$ 872	\$ 1,669	\$ 1,774
Interest cost	3,618	3,517	7,230	7,176
Amortization of prior service cost	(457)	(454)	(915)	(929)
Amortization of net loss	714	886	1,423	1,795
Net periodic benefit cost	<u>\$ 4,712</u>	<u>\$ 4,821</u>	<u>\$ 9,407</u>	<u>\$ 9,816</u>

For the three months ended June 30, 2007 and 2006, we made \$6.9 million and \$8.3 million of contributions representing benefit payments, respectively.

For the six months ended June 30, 2007 and 2006, we made \$15.7 million and \$17.3 million of contributions representing benefit payments, respectively.

15. *Income Taxes*

The effective tax rate for the three months ended June 30, 2007 and 2006 was 34.0% and 43.6%, respectively. The effective tax rate for the six months ended June 30, 2007 and 2006 was 34.2% and 39.1%, respectively. The higher rates in 2006 are primarily due to a \$20 million charge that was recorded in the second quarter of 2006 in connection with the IRS settlement.

In June 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes*, which supplements FAS 109, *Accounting for Income Taxes*, by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. FIN 48 requires the tax effect of a position to be recognized only if it is "more-likely-than-not" to be sustained, which is a different standard than was previously required. We adopted the provisions of FIN 48 on January 1, 2007. As a result, on initial adoption we recognized an \$84.4 million increase in our liability for uncertain tax positions and a corresponding reduction to our opening retained earnings. The total amount of unrecognized tax benefits including interest at January 1, 2007 was \$460.4 million, of which \$363.3 million would affect the effective tax rate if recognized. Our tax filings are under continual examination by tax authorities. On a regular basis we conclude tax return examinations, statutes of limitations expire, court decisions are made that interpret tax law and we regularly assess tax uncertainties in light of these developments. Therefore, it is reasonably possible that the amount of our unrecognized tax benefits, primarily related to leasing transactions, could increase or decrease by approximately 10% within the next 12 months. We recognize interest and penalties related to uncertain tax positions in our provision for income taxes. We recognized \$3.1 million in interest and penalties during the six months ended June 30, 2007 and this amount was included in discontinued operations. We had \$104.5 million accrued for the payment of interest and penalties at January 1, 2007. Included in the \$507.7 million June 30, 2007 noncurrent deferred tax balance is \$252.7 million of other noncurrent tax liabilities.

The current IRS exam of tax years 2001-2004 is estimated to be completed in 2008 while the formal statute of limitations for years 1995-2000 has also yet to expire. In connection with the 2001-2004 audit we are currently disputing a recent formal request from the IRS in the form of a civil summons to provide certain company workpapers. The company believes that certain documents being sought should not be produced because they are privileged. A similar issue is currently being litigated by other companies before the U.S. District Courts of Rhode Island and Alabama. A variety of post-1999 tax years remain subject to examination by other tax authorities, including the U.K., Canada, Germany and various U.S. states. We have accrued our best estimate of the probable 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 flow.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

In May 2006, we reached a tentative settlement with the IRS governing all outstanding tax audit issues in dispute arising out of the IRS examination of our corporate income tax returns for tax years through 2000. These disputed items related primarily to the tax treatment of corporate owned life insurance (COLI) and related interest expense, the tax effect of the sale of certain preferred share holdings and the tax treatment of certain Capital Service lease transactions. As a result of this tentative settlement with the IRS, we recorded \$61 million of additional tax expense of which \$41 million related to the Capital Services business and was included in discontinued operations and \$20 million which was included in continuing operations. As a result of the tentative IRS settlement and the sales of the Imagistics and Capital Services businesses, we estimated that we owed approximately \$1.1 billion of additional tax, net of \$330 million of IRS tax bonds previously posted. As previously disclosed, we reached a settlement with the IRS governing all tax audit issues in dispute for tax years through 2000 in August 2006 and we paid the \$1.1 billion obligation to the IRS by the end of 2006. These tax obligations were funded from the proceeds of the sale of the businesses and the advance against the cash surrender value of our COLI assets.

We also accrued in discontinued operations an additional tax expense of \$16.2 million in the second quarter of 2006 to record the impact of the Tax Increase Prevention and Reconciliation Act ("TIPRA"). The TIPRA legislation repealed the exclusion from federal income taxation of a portion of the income generated from certain leveraged leases of aircraft by foreign sales corporations. See Note 4 for further discussion of the discontinued operations.

16. Commitments and Contingencies

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.

In Ricoh Corporation et al. v. Pitney Bowes Inc. (United States District Court, District of New Jersey, filed November 26, 2002), the patent litigation where the company prevailed at trial, the court denied the parties' post-trial motions. The Company expects that Ricoh will pursue an appeal. If so, the Company will need to pursue on appeal the issues on which it did not prevail at trial, even though the ultimate verdict was in our favor.

During the second quarter of 2007, the Judicial Panel on Multi-District Litigation consolidated the ten purported class actions filed against our subsidiary, Imagitas, Inc. alleging that the Imagitas DriverSource program violates the federal Drivers Privacy Protection Act (DPPA) before a single judge in the United States District Court for the Middle District of Florida. The cases are now jointly referred to as *In re Imagitas, Inc., Drivers' Privacy Protection Act Litigation*, MDL Docket No. 1828. There have also been lawsuits filed against officials of the departments of motor vehicles in four of the states where the DriverSource program is active, Florida, Missouri, Minnesota and Ohio. The officials in states other than Florida are contesting the transfer of their cases and inclusion in the Multi-District Litigation.

Guarantees

As part of the sale of the Capital Services business in the second quarter of 2006, we indemnified the buyer for certain guarantees by posting letters of credit at the date of sale. At June 30, 2007, the outstanding balance of these guarantees was approximately \$9 million. Our maximum risk of loss related to these letters of credit arises from the possible non-performance of lessees to meet the terms of their contracts and from changes in the value of the underlying equipment. These contracts are secured by the underlying equipment value and supported by the creditworthiness of the customer.

Product Warranty

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 or product warranties based on historical claims experience, which has not been significant, and other currently available evidence. Accordingly, our product warranty liability at June 30, 2007 and December 31, 2006, respectively, was not material.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 in Pitney Bowes' Form 10-K for the year ended December 31, 2006.

As a result of the sale of our Imagistics lease portfolio and Capital Services external financing business in 2006, the results of operations reflect these businesses as discontinued operations for all periods presented.

Overview

This quarter's results were led by the U.S. Mailing, Software, and Mail Services segments. The U.S. Mailing segment benefited from sales of equipment that help customers comply with the provisions of the recently-enacted U.S. postal rate case which requires that postage be based on shape as well as weight. Our expanding Software business and Mail Services operations also had excellent results in the quarter. Lower equipment sales in Europe, as well as weak performance in the legal solutions portion of our Management Services segment, partially offset these positive results.

Revenue for the second quarter increased 11%. Revenue growth was positively affected by acquisitions and foreign currency translation, which contributed about 4% and 1.5%, respectively. Earnings per diluted share from continuing operations for the quarter was \$0.69 compared with \$0.54 per diluted share in the prior year. Earnings per diluted share from continuing operations for the second quarter of 2007 was reduced by approximately 2 cents per diluted share due to the purchase accounting alignment for MapInfo. Earnings per diluted share from continuing operations for the second quarter of 2006 included a tax charge of 9 cents per diluted share related to the IRS settlement and a restructuring charge of 1 cent per diluted share. Net income for the quarter was \$152.2 million compared with a loss of \$356.1 million in the prior year. The loss in the prior year related to discontinued operations.

See Results of Operations – Second Quarter of 2007 compared to Second Quarter of 2006 for a more detailed discussion of our results of operations.

Outlook

We anticipate that we will experience solid financial results in 2007. We expect our mix of product sales to continue 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. In addition, we expect to expand our market presence in Mailstream Solutions and Mailstream Services and derive further synergies from our recent acquisitions. We will continue to remain focused on our productivity programs and to allocate capital in order to optimize our returns. As part of the purchase accounting for MapInfo, we aligned MapInfo's accounting policies for software revenue recognition with ours. Accordingly, certain software revenue that was previously recognized by MapInfo on a periodic basis will now be recognized over the life of the contract. Including the effect of this accounting alignment, we expect the acquisition of MapInfo to reduce diluted earnings per share from continuing operations by approximately 5 cents in 2007.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Results of Operations – Second Quarter of 2007 compared to Second Quarter of 2006

Business segment results

The following table shows revenue and earnings before interest and taxes (EBIT) by segment for the three months ended June 30, 2007 and 2006. Prior year results have been adjusted to reflect the changes made to our reporting segments in the second quarter of 2006.

(Dollars in thousands)

	Revenue			EBIT (1)		
	Three months ended June 30,			Three months ended June 30,		
	2007	2006	% change	2007	2006	% change
U.S. Mailing	\$ 633,076	\$ 567,766	12 %	\$ 262,108	\$ 234,104	12 %
International Mailing	252,390	249,490	1 %	36,621	42,379	(14) %
Production Mail	139,814	133,264	5 %	18,225	15,281	19 %
Software	88,242	47,640	85 %	16,994	5,207	226 %
Mailstream Solutions	1,113,522	998,160	12 %	333,948	296,971	12 %
Management Services	275,052	267,548	3 %	16,005	21,860	(27) %
Mail Services	114,424	90,749	26 %	12,582	8,970	40 %
Marketing Services	40,036	32,753	22 %	619	3,616	(83) %
Mailstream Services	429,512	391,050	10 %	29,206	34,446	(15) %
Total	\$ 1,543,034	\$ 1,389,210	11 %	\$ 363,154	\$ 331,417	10 %

(1) See reconciliation of segment amounts to Income from Continuing Operations before Income Taxes and Minority Interest in Note 7 to the Condensed Consolidated Financial Statements.

During the second quarter of 2007, Mailstream Solutions revenue increased 12% and EBIT increased 12% compared with the prior year. U.S. Mailing's revenue grew 12%, primarily due to the sale of equipment related to shape-based pricing. We do not anticipate the benefits from shape-based pricing to continue for the remainder of the year. Revenue also benefited from growth in supplies and payment solutions as our meter base continues to transition to new digital technology. However, revenue continued to be adversely affected by the ongoing changing mix to more fully featured smaller systems. International Mailing revenue grew 1% and EBIT declined 14%. International Mailing revenue growth benefited by about 5% from favorable foreign currency. The segment's results were adversely affected by lower sales and rentals in Europe. The segment's EBIT was also adversely impacted by continued investments in sales and marketing channels in Europe as well as expenses related to our European back office operations. Worldwide revenue for Production Mail grew 5%, primarily driven by foreign currency translation which contributed 2% to growth, and strong equipment placements in the U.S. and Asia-Pacific region. However, lower equipment sales in Europe partially offset this growth. Production mail EBIT grew 19%, due primarily to net legal recoveries of approximately \$3 million in Europe. Software's revenue grew by 85% and EBIT grew 226%. The segment's results were driven by the acquisition of MapInfo which increased revenue by about 57% and strong demand for our software solutions.

During the second quarter of 2007, Mailstream Services revenue grew 10% and EBIT declined 15% compared with the prior year. Management Services revenue grew 3%, primarily driven by foreign exchange translation while EBIT declined 27%. Management Services results were adversely affected by continued investments in sales and marketing channels, weakness in our legal solutions vertical and higher margin print contracts in the prior year that did not repeat this period. Mail Services revenue grew 26% due to continued growth in presort and cross-border mail services. Mail Services EBIT grew by 40% to \$12.6 million as a result of the ongoing successful integration of acquired sites and increased operating efficiencies. Marketing Services revenue grew 22% and EBIT decreased 83%. The acquisitions of AAS and Digital Cement Inc. contributed 19% to revenue growth, but lower revenue in our motor vehicle registration services had an adverse effect on the segment's revenue and EBIT.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Revenue by source

The following table shows revenue by source for the three months ended June 30, 2007 and 2006:

(Dollars in thousands)

	Three Months Ended June 30,		
	2007	2006	% change
Equipment sales	\$ 360,361	\$ 319,635	13 %
Supplies	96,398	82,873	16 %
Software	88,242	47,640	85 %
Rentals	180,911	197,226	(8)%
Financing	194,837	174,447	12 %
Support services	192,773	176,339	9 %
Business services	429,512	391,050	10 %
Total revenue	<u>\$ 1,543,034</u>	<u>\$ 1,389,210</u>	11%

Equipment sales revenue increased 13% from the prior year, primarily due to the sale of shape-based rating equipment in the U.S. Foreign currency translation and acquisitions each contributed 2% to this growth.

Supplies revenue increased 16% from the prior year due to continued transition of our meter base to digital technology, the acquisition of our print management business last year which contributed 5%, and foreign currency translation which contributed 3%.

Software revenue increased 85% from the prior year due to the acquisition of MapInfo, which contributed 57% to this increase, and strong demand for our software solutions.

Rentals revenue declined 8% from the prior year due primarily to the continued downsizing by customers to smaller machines.

Financing revenue increased 12% from the prior year, primarily due to higher revenue from payment solutions and growth in our equipment leasing volumes.

Support services revenue increased 9% from the prior year. This growth was primarily driven by higher service revenue from production mail and mailing equipment. Acquisitions contributed 2% to this growth and foreign currency translation contributed 2%.

Business services revenue increased 10% from the prior year, due primarily to strong growth in our presort and cross-border mail services. Acquisitions and foreign currency translation contributed 4% and 1%, respectively, to this growth.

Costs and expenses

(Dollars in thousands)

	Three Months Ended June 30,	
	2007	2006
Cost of equipment sales	\$ 168,958	\$ 159,780
Cost of supplies	\$ 24,725	\$ 19,796
Cost of software	\$ 21,076	\$ 11,103
Cost of rentals	\$ 43,261	\$ 42,300
Cost of support services	\$ 107,317	\$ 98,453
Cost of business services	\$ 339,972	\$ 303,583
Selling, general and administrative	\$ 488,115	\$ 432,531
Research and development	\$ 47,104	\$ 40,980

Cost of equipment sales as a percentage of revenue decreased to 46.9% in the second quarter of 2007 compared with 50.0% in the prior year, primarily due to the increase in sales of higher margin equipment in the U.S.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Cost of supplies as a percentage of revenue increased to 25.6% in the second quarter of 2007 compared with 23.9% in the prior year, primarily due to the increase in sales of toner, ink, and other supplies which have lower margins than our meter-related supplies.

Cost of software increased to 23.9% of revenue in the second quarter of 2007 compared with 23.3% in the prior year primarily due to the acquisition of MapInfo.

Cost of rentals as a percentage of revenue increased to 23.9% for the second quarter of 2007 compared with 21.4% in the prior year due to higher depreciation costs from the placement of new meters.

Cost of support services decreased slightly to 55.7% of revenue in the second quarter of 2007 compared with 55.8% in the prior year.

Cost of business services increased to 79.2% of revenue in the second quarter of 2007 compared with 77.6% in the second quarter of 2006 due to continued integration costs in our legal solutions businesses at Management Services and higher margin print contracts in the prior year that did not repeat this year.

Selling, general and administrative expenses increased to 31.6% of total revenue in the second quarter of 2007 compared with 31.1% in the prior year. This increase is due primarily to the acquisition of MapInfo and continued investments in sales and marketing channels which offset benefits from our productivity initiatives and the net legal recoveries in Europe.

Research and development expenses increased 14.9% in the second quarter of 2007 compared with the prior year due primarily to the acquisition of MapInfo. Our investment in research and development reflects our continued focus on developing new technologies and enhancing features for all our products.

Restructuring

In connection with our restructuring program that we concluded in 2006, we recorded pre-tax restructuring charges of \$5.0 million for the three months ended June 30, 2006.

We primarily fund restructuring payments with cash from operating activities. We expect to pay most of the outstanding restructuring balance by the end of 2007. We expect the restructuring initiatives to continue to increase our operating efficiency and effectiveness in 2007 and beyond while enhancing growth, primarily as a result of the reduction in personnel-related expenses.

The pre-tax restructuring charges were composed of:

(Dollars in thousands)

	Three Months Ended June 30, 2006
Severance and benefit costs	\$ 4,615
Asset impairments	-
Other exit costs	426
	<u>\$ 5,041</u>

Accrued restructuring charges at June 30, 2007 were composed of the following:

	Balance at January 1, 2007	Cash payments	Balance at June 30, 2007
(Dollars in thousands)			
Severance and benefit costs	\$ 31,265	\$ (17,821)	\$ 13,444
Other exit costs	2,284	\$ (1,086)	1,198
	<u>\$ 33,549</u>	<u>\$ (18,907)</u>	<u>\$ 14,642</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Net interest expense

Interest expense for the three months ended June 30, 2007 and 2006:

(Dollars in thousands)

	Three Months Ended June 30,		
	2007	2006	% change
Interest expense, net	\$ 62,541	\$ 55,070	14%

Net interest expense increased by \$7.5 million or 14% in the second quarter of 2007 compared with the prior year primarily due to higher average borrowings.

Income Taxes

The effective tax rate for the second quarter of 2007 was 34.0% compared with 43.6% in the prior year. The effective tax rate for the second quarter of 2006 included a \$20 million charge related to the IRS settlement discussed in Note 15 to the Condensed Consolidated Financial Statements.

Minority Interest

The following table details minority interest for the three months ended June 30, 2007 and 2006:

(Dollars in thousands)

	Three Months Ended June 30,		
	2007	2006	% change
Minority interest	\$ 4,796	\$ 3,244	48%

Minority interest includes dividends paid to preferred stockholders in a subsidiary. Minority interest increased by \$1.6 million or 48% in the second quarter of 2007 compared with the prior year due to an increase in outstanding preferred shares and the weighted average dividend rate which is set at auction.

Discontinued Operations

The following table details the components of discontinued operations for the three months ended June 30, 2007 and 2006:

(Dollars in thousands)

	Three Months Ended June 30,	
	2007	2006
Revenue	\$ -	\$ 34,523
Pretax income	\$ -	\$ 17,940
Net (loss) income	\$ (1,342)	\$ 10,447
Gain on sale of Imagistics, net of \$7,443 tax	-	11,641
FSC tax law change	-	(16,209)
Additional tax on IRS settlement	-	(41,000)
Loss on sale of Capital Services, net of \$282,722 tax benefit	-	(442,205)
Total discontinued operations, net of tax	<u>\$ (1,342)</u>	<u>\$ (477,326)</u>

See Note 4 in the Condensed Consolidated Financial Statements for further discussion and details of the discontinued operations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Results of Operations – Six Months Ended June 30, 2007 compared to Six Months Ended June 30, 2006

Revenue by source

The following table shows revenue by source for the six months ended June 30, 2007 and 2006:

(Dollars in thousands)

	Six Months Ended June 30,		
	2007	2006	% change
Equipment sales	\$ 653,971	\$ 622,392	5 %
Supplies	196,700	165,684	19 %
Software	131,324	89,635	47 %
Rentals	368,981	394,038	(6) %
Financing	385,417	352,592	9 %
Support services	379,077	347,105	9 %
Business services	841,801	779,409	8 %
Total revenue	<u>\$ 2,957,271</u>	<u>\$ 2,750,855</u>	8 %

Equipment sales revenue increased 5% over the prior year period, primarily due to sale of shape-based rating equipment and production mail equipment in the U.S.

Supplies revenue increased 19% over the prior year period due to continued transition of our meter base to digital technology. The acquisition of our print management business last year contributed 5% to this increase and foreign currency translation contributed 3% to this growth.

Software revenue increased 47% over the prior year period due to the acquisition of MapInfo, which contributed 30% to this overall increase, and to strong demand for our software solutions.

Rentals revenue declined 6% over the prior year period due to continued downsizing by customers to smaller machines.

Financing revenue increased 9% over the prior year period, primarily due to higher revenue from payment solutions and growth in our equipment leasing volumes. Foreign currency translation contributed 1% to this growth.

Support services revenue increased 9% compared with the prior year period. This growth was primarily driven by higher service revenue from production mail and mailing equipment. Acquisitions contributed 3% and foreign currency translation contributed 2% to this growth.

Business services revenue increased 8% from the prior year period. This growth was driven by higher demand for our mail services. Acquisitions contributed 3% and foreign currency translation contributed 1% to this growth.

Costs and expenses

(Dollars in thousands)

	Six Months Ended June 30,	
	2007	2006
Cost of equipment sales	\$ 317,214	\$ 312,760
Cost of supplies	50,848	40,404
Cost of software	32,624	21,282
Cost of rentals	85,682	85,839
Cost of support services	212,821	194,749
Cost of business services	663,623	609,907
Selling, general and administrative	913,517	850,193
Research and development	90,673	82,516

Cost of equipment sales as a percentage of revenue decreased to 48.5% in the first six months of 2007 compared with 50.3% in the prior year, primarily due to the increase in sales of higher margin equipment in the U.S.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cost of supplies as a percentage of revenue increased to 25.9% in the first six months of 2007 compared with 24.4% in the prior year, primarily due to the increase in sales of toner, ink and other supplies which have lower margins than our meter-related supplies.

Cost of software as a percentage of revenue increased to 24.8% of revenue in the first six months of 2007 compared to 23.7% in the prior year, due primarily to the acquisition of MapInfo.

Cost of rentals as a percentage of revenue increased to 23.2% in the first six months of 2007 compared with 21.8% in the prior year, primarily due to higher depreciation costs from placements of new meters.

Cost of support services as a percentage of revenue was 56.1% for the six months of 2007 and 2006.

Cost of business services increased to 78.8% of revenue in the first six months of 2007 compared with 78.3% in the prior year, due to continued integration costs in our legal solutions businesses at Management Services and higher margin print contracts in the prior year that did not repeat this year.

Selling, general and administrative expenses as a percentage of total revenue was 30.9% for the first six months of 2007 and 2006. The acquisition of MapInfo and continued investments in sales and marketing channels offset benefits from our productivity initiatives.

Research and development expenses as a percentage of total revenue were 3.1% in the first six month of 2007 compared with 3.0% in the prior year. Research and development expenses increased due primarily to the acquisition of MapInfo.

Restructuring

Pre-tax restructuring charges were composed of:

(Dollars in thousands)	Six Months Ended June 30, 2006
Severance and benefit costs	\$ 9,137
Asset impairments	514
Other exit costs	987
Total restructuring charges	<u>\$ 10,638</u>

In connection with our previously announced restructuring initiatives, we recorded a pre-tax restructuring charge of \$10.6 million for the six months ended June 30, 2006.

Net interest expense

The following table shows net interest expense for the six months ended June 30, 2007 and 2006:

(Dollars in thousands)	Six Months Ended June 30,		
	2007	2006	% change
Interest expense, net	\$ 119,268	\$ 108,638	9.8%

Net interest expense increased by \$10.6 million or 9.8% in the first six months of 2007 compared with the prior year due primarily to higher average interest borrowings.

Income Taxes

The effective tax rate for the first six months of 2007 was 34.2% compared with 39.1% in the prior year. The effective tax rate for the first six months of 2006 included a \$20 million charge related to the IRS settlement discussed in Note 15 to the Condensed Consolidated Financial Statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Minority Interest

The following table details minority interest for the six months ended June 30, 2007 and 2006:

(Dollars in thousands)

	Six Months Ended June 30,		
	2007	2006	% change
Minority interest	\$ 9,542	\$ 6,161	54.9%

Minority interest includes dividends paid to preferred stockholders in subsidiary companies. Minority interest increased by \$3.4 million or 54.9% compared to the prior year due to an increase in outstanding preferred shares and the weighted average dividend rate.

Discontinued Operations

The following table details the components of discontinued operations for the six months ended June 30, 2007 and 2006:

(Dollars in thousands)

	Six Months Ended June 30,	
	2007	2006
Revenue	\$ -	\$ 76,981
Pretax income	\$ -	\$ 39,950
Net (loss) income	\$ (3,130)	\$ 27,116
Gain on sale of Imagistics, net of \$7,443 tax	-	11,641
FSC tax law change	-	(16,209)
Additional tax on IRS settlement	-	(41,000)
Loss on sale of Capital Services, net of \$282,722 tax benefit	-	(442,205)
Total discontinued operations, net of tax	\$ (3,130)	\$ (460,657)

See Note 4 in the Condensed Consolidated Financial Statements for further discussion and details of the discontinued operations.

Acquisitions

On May 31, 2007, we acquired the remaining shares of Digital Cement, Inc. for \$38 million in cash, net of cash acquired. Digital Cement, Inc. provides marketing management strategy and services to help companies acquire, retain, manage, and grow their customer relationships. We assigned the goodwill to the Marketing Services segment.

On April 19, 2007, we acquired MapInfo Corporation for \$448 million in cash, net of cash acquired. Included in the assets and liabilities acquired were short-term investments of \$46 million and debt assumed of \$14 million. MapInfo is a global company and a leading provider of location intelligence software and solutions. We assigned the goodwill to the Software segment. As part of the purchase accounting for MapInfo, we aligned MapInfo's accounting policies with ours. Accordingly, certain software revenue that was previously recognized by MapInfo on a periodic basis will now be recognized over the life of the contract.

On July 31, 2006, we acquired Print, Inc. for approximately \$46 million in cash, net of cash acquired. Print, Inc. provides printer supplies, service and equipment under long-term managed services contracts. We assigned the goodwill to the U.S. Mailing segment.

On June 15, 2006, we acquired substantially all the assets of Advertising Audit Service and PMH Caramanning (collectively AAS) for approximately \$42 million in cash. AAS offers a variety of web-based tools for the customization of promotional mail and marketing collateral and designs and manages customer and channel performance solutions. We assigned the goodwill to the Marketing Services segment.

On April 24, 2006, we acquired Ibis Consulting, Inc. (Ibis) for approximately \$65 million in cash, net of cash acquired. Ibis is a leading provider of electronic discovery (eDiscovery) services to law firms and corporate clients. Ibis' technology and offerings complement those of Compulit, which we acquired in 2005, and expands our range of solutions and services for the complex litigation support needs of law firms and corporate legal departments. We assigned the goodwill to the Management Services segment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On February 8, 2006, we acquired Emtex Ltd. (Emtex) for approximately \$33 million in cash, net of cash acquired. Emtex is a software and services company that allows large-volume mailers to simplify document production and centrally manage complex multi-vendor and multi-site print operations. We assigned the goodwill to the Software segment.

During the six months ended June 30, 2007, we also completed several smaller acquisitions. The aggregate cost of these acquisitions was \$44.3 million. These acquisitions did not have a material impact on our financial results.

Liquidity and Capital Resources

Our primary sources of liquidity and capital resources include cash flows from operating activities. Additionally, we have substantial borrowing capability through our commercial paper program, long-term capital markets and revolving credit line agreements. The primary factors that affect our liquidity position, other than operating results associated with current sales activity, include the following: growth and expansion requirements; customer financing assistance; federal income tax payments; interest and dividend payments; our stock repurchase program; internal investments; and potential acquisitions and divestitures.

Cash Flow Summary

The change in cash and cash equivalents is as follows:

	Six Months Ended June 30,	
	2007	2006
Cash provided by operating activities	\$ 406,976	\$ 396,345
Cash (used in) provided by investing activities	(635,675)	144,515
Cash provided by (used in) financing activities	238,631	(565,248)
Effect of exchange rate changes on cash	2,933	2,548
Increase (decrease) in cash and cash equivalents	\$ 12,865	\$ (21,840)

2007 Cash Flows

Net cash provided by operating activities consisted primarily of net income adjusted for non-cash items and changes in operating assets and liabilities. The net increase in our deferred taxes on income and income taxes payable contributed \$64.8 million to cash from operations resulting primarily from the timing of tax payments. The decrease in accounts payable and accrued liabilities reduced our cash from operations by \$113.1 million, primarily due to the payment of year-end compensation and commissions, the timing of accounts payable following the strong fourth quarter of 2006, and restructuring payments during the first six months of 2007. The increase in our internal finance receivable balances decreased cash from operations by \$55.9 million, reflecting growth in equipment placements and our payment solutions business during the first six months.

The net cash used in investing activities consisted primarily of acquisitions, net of cash acquired, of \$522.5 million and capital expenditures of \$128.4 million.

Net cash provided by financing activities consisted primarily of an increase in notes payable of \$487.1 million partially offset by stock repurchases of \$175.0 million and dividends paid to stockholders of \$145.2 million.

2006 Cash Flows

The cash provided by operating activities consisted primarily of net income adjusted for non-cash items and changes in operating assets and liabilities. The increase in our internal finance receivable balances decreased cash from operations by \$58.0 million, reflecting growth in equipment placements and our payment solutions business during the first six months. The decrease in accounts payable and accrued liabilities of \$75.2 million was primarily due to the payment of year-end compensation and commissions and restructuring payments during the first six months of 2006.

Net cash provided by investing activities consisted of net proceeds of \$281.7 million received from the sale of our Imagistics lease portfolio and an advance of \$138.4 million against the cash surrender value of our COLI policies. Cash used in investing activities consisted of capital expenditures of \$162.4 million and acquisitions, net of cash acquired, of \$158.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net cash used in financing activities consisted of stock repurchases of \$292.7 million, dividends paid of \$143.3 million and a net reduction of debt of \$173.4 million partially offset by proceeds from the issuance of stock of \$44.1 million.

Capital Expenditures

During the first six months of 2007, capital expenditures included \$62.3 million in net additions to property, plant and equipment and \$66.1 million in net additions to rental equipment and related inventories compared with \$65.4 million and \$97 million, respectively, in the same period in 2006.

We expect capital expenditures for the full year of 2007 to be approximately the same as the prior year. These investments will also be affected by the timing of our customers' transition to digital meters.

Financings and Capitalization

We have a commercial paper program that provides short-term liquidity. Commercial paper remains a significant liquidity source. As of June 30, 2007, we have \$983.6 million of outstanding commercial paper issuances. We have unused credit facilities of \$1.5 billion which supports commercial paper issuances.

In addition to our borrowing capability under the unused credit facilities described above, we have \$1.1 billion remaining available under the shelf registration statement filed in February 2005 with the SEC, permitting issuances of up to \$2.5 billion in debt securities, preferred stock, preference stock, common stock, purchase contracts, depositary shares, warrants and units.

We believe our financing needs in short and long term can be met with cash generated internally, borrowing capacity from existing credit agreements, available debt issuances under existing shelf registration statements and our existing commercial paper program.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes*, which supplements Statement of Financial Accounting Standard No. 109, *Accounting for Income Taxes*, by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. FIN 48 requires the tax effect of a position to be recognized only if it is "more-likely-than-not" to be sustained based solely on its technical merits as of the reporting date. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are recognized. This is a different standard for recognition than was previously required. The more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. At adoption, companies must adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained as of the adoption date. Any necessary adjustment is recorded directly to opening retained earnings in the period of adoption and reported as a change in accounting principle. We adopted the provisions of FIN 48 on January 1, 2007 which resulted in a decrease to opening retained earnings of \$84.4 million, with a corresponding increase in our tax liabilities.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157), to define how the fair value of assets and liabilities should be measured in more than 40 other accounting standards where it is allowed or required. In addition to defining fair value, the statement establishes a framework within GAAP for measuring fair value and expands required disclosures surrounding fair-value measurements. While it will change the way companies currently measure fair value, it does not establish any new instances where fair-value measurement is required. SFAS 157 defines fair value as an amount that a company would receive if it sold an asset or paid to transfer a liability in a normal transaction between market participants in the same market where the company does business. It emphasizes that the value is based on assumptions that market participants would use, not necessarily only the company that might buy or sell the asset. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, with early adoption allowed. We are currently evaluating the impact of adopting this Statement.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of adopting this Statement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Regulatory Matters

There have been no significant changes to the regulatory matters disclosed in our 2006 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-Q, 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 or management's 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 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 the restructuring plan 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
- 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, 2006 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 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 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 June 30, 2007. In addition, no change in internal control over financial reporting occurred during the quarter ended June 30, 2007, 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

This item updates the legal proceedings more fully described in our 2006 Annual Report on Form 10-K, filed March 1, 2007, and as updated in our Form 10-Q filed May 4, 2007.

In Ricoh Corporation et al. v. Pitney Bowes Inc. (United States District Court, District of New Jersey, filed November 26, 2002), the patent litigation where the company prevailed at trial, the court denied the parties' post-trial motions. The Company expects that Ricoh will pursue an appeal. If so, the Company will need to pursue on appeal the issues on which it did not prevail at trial, even though the ultimate verdict was in our favor.

During the second quarter of 2007, the Judicial Panel on Multi-District Litigation consolidated the ten purported class actions filed against our subsidiary, Imagitas, Inc. alleging that the Imagitas DriverSource program violates the federal Drivers Privacy Protection Act (DPPA) before a single judge in the United States District Court for the Middle District of Florida. The cases are now jointly referred to as In re Imagitas, Inc., Drivers' Privacy Protection Act Litigation, MDL Docket No. 1828. There have also been lawsuits filed against officials of the departments of motor vehicles in four of the states where the DriverSource program is active, Florida, Missouri, Minnesota and Ohio. The officials in states other than Florida are contesting the transfer of their cases and inclusion in the Multi-District Litigation. The pendency of these litigations, regardless of their ultimate merit, may have a negative effect on the future prospects of the DriverSource program.

We expect to prevail in both the Ricoh litigation and 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.

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, 2006 regarding this matter.

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 2007 in any other manner.

In March 2006, our Board of Directors authorized \$300 million for repurchases of outstanding shares of our common stock in the open market of which \$141.2 million remained for future purchases at December 31, 2006. We repurchased 3.0 million shares during the six months ended June 30, 2007 under this program for a total price of \$141.2 million. There are no further funds available under this authorization for the repurchase of outstanding shares.

In March 2007, our Board of Directors authorized the repurchase of up to an additional \$300 million of our common stock in the open market. We repurchased 0.7 million shares during the six months ended June 30, 2007 under this program for a total price of \$33.8 million, leaving \$266.2 remaining for future repurchases.

The following table summarizes our share repurchase activity under active programs during the first six months of 2007:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of a publicly announced plan	Approximate dollar value of shares that may yet be purchased under the plan (in thousands)
March 2006 Program				
Balance carried forward				\$ 141,199
January 2007	866,300	\$47.88	866,300	\$ 99,721
February 2007	451,850	\$47.99	451,850	\$ 78,035
March 2007	586,100	\$45.78	586,100	\$ 51,203
April 2007	518,700	\$46.95	518,700	\$ 26,849
May 2007	564,452	\$47.57	564,452	\$ 0
	2,987,402		2,987,402	
March 2007 Program				
March 2007	-	-	-	\$ 300,000
April 2007	-	-	-	\$ 300,000
May 2007	61,148	\$47.57	61,148	\$ 297,090
June 2007	661,054	\$46.73	661,054	\$ 266,199
	3,709,604		3,709,604	

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

The following matters were submitted to a vote of security holders during our annual meeting of stockholders held on May 14, 2007.

	Votes Cast For	Authority Withheld
1. Election of Directors:		
Linda G. Alvarado	193,951,119	6,113,048
Ernie Green	196,475,930	3,588,235
John S. McFarlane	196,485,907	3,578,260
Eduardo R. Menascé	196,265,652	3,798,515

		For	Against	Abstentions	Broker Non-Votes
2.	Ratification of PricewaterhouseCoopers LLP as independent registered public accountants	195,064,481	3,675,183	1,324,503	0
3.	Proposal to approve the Pitney Bowes Inc. 2007 Stock Plan	154,532,086	22,446,624	1,816,758	0
4.	Proposal to approve Amendment to By-laws of Pitney Bowes Inc. to require majority vote to elect directors in an uncontested election	177,463,178	21,138,501	1,462,488	0

The following other directors continued their term of office after the annual meeting:

Michael J. Critelli	James H. Keyes	David B. Snow, Jr.
Anne Sutherland Fuchs	Murray D. Martin	Robert E. Weissman
David L. Shedlarz	Michael I. Roth	

Item 5: Other Information

On May 14, 2007, the stockholders of Pitney Bowes Inc. (the "Company") approved the Pitney Bowes Inc. 2007 Stock Plan (the "2007 Plan") at the annual meeting of stockholders. The 2007 Plan has a term of seven years expiring on December 31, 2014. The selection of employee participants in the 2007 Plan, the level of participation of each participant and the terms and conditions of all awards will be determined by the board of directors or a committee designated by the board to administer the 2007 Plan. The board has delegated to the Executive Compensation Committee the discretionary authority to administer the 2007 Plan. The board has reserved a maximum of 15,000,000 shares for issuance pursuant to stock options, stock appreciation rights, restricted stock units and stock awards under the 2007 Plan. In addition, any shares associated with awards under the Pitney Bowes 2002 Stock Plan as of April 30, 2007 that cease to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested and non-forfeitable shares) shall become available for issuance under the 2007 Plan. Of the maximum number of shares available for issuance under the 2007 Plan, no more than 7,500,000 shares may be issued pursuant to grants other than options or SARs in the aggregate during the term of the 2007 Plan. A maximum of 600,000 shares that are the subject of awards may be granted under the 2007 Plan to an individual during any calendar year. Any shares exchanged by a participant or withheld from a participant as full or partial payment to the company of the exercise price or the tax withholding upon exercise or settlement of an award and un-issued shares resulting from the settlement of stock appreciation rights in stock or net settlement of a stock option will not be returned to the number of shares available for issuance under the 2007 Plan. This description of the Plan is qualified in its entirety by reference to the actual Plan, which is filed as Exhibit 10.1 to this Form 10-Q and is hereby incorporated by reference.

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.

August 6, 2007

/s/ B. P. Nolop

B. P. Nolop
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)

Index of Exhibits

Reg. S-K
Exhibits

Description

- | | |
|---------|--|
| (3)(ii) | Amended and Restated By-Laws |
| (10.1) | Pitney Bowes Inc. 2007 Stock Plan |
| (12) | Computation of ratio of earnings to fixed charges. |
| (31.1) | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| (31.2) | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| (32.1) | Section 1350 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| (32.2) | Section 1350 Certification of Chief Financial Officer Pursuant Section 906 of the Sarbanes-Oxley Action of 2002. |

PITNEY BOWES INC.

AMENDED AND RESTATED BY-LAWS

ARTICLE I
MEETINGS OF STOCKHOLDERS

Section 1. Annual Meeting. The annual meeting of the stockholders for the election of directors and the transaction of such other business as may properly be brought before the meeting shall be held on such date, and at such place and time, as the Chairman of the Board or the Board of Directors shall designate.

Section 2. Special Meeting. Special meetings of the stockholders may be called by the Board of Directors, as provided in Article I, Section 7.

Section 3. Notice of Meetings. Subject to the provisions of the Restated Certificate of Incorporation and except as otherwise required by law, written notice of an annual or special meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days prior to the meeting to each stockholder entitled to vote at the meeting. In the case of a special meeting of stockholders, the purpose or purposes for which the meeting is called shall be set forth in the notice. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation.

Section 4. List of Stockholders. The Secretary or the Treasurer shall prepare and make, or cause the Transfer Agent to prepare and make, at least ten (10) days before every meeting of stockholders, a complete list, as of the record date, of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of, and the number of shares registered in the name of, each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders, or to vote in person or by proxy at any meeting of stockholders.

Section 5. Advance Notice Procedures. (a) General. The business to be conducted at any stockholder's meeting of the Corporation and nominations for the election of directors of the Corporation's Board of Directors at any stockholder's meeting of the Corporation shall be limited to such business and nominations as shall comply with the procedures set forth in this Article I and in Article II of these By-laws.

(b) Notification of Stockholder Business. At a special meeting of stockholders only such business shall be conducted as shall have been set forth in the notice of special meeting. At an annual meeting of stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise (a) properly requested to be brought before the meeting in accordance with this By-law by a stockholder of record entitled to vote in the election of directors generally, and (b) constitute a proper subject for stockholder action to be brought before such meeting.

For business to be properly brought before an annual meeting by the stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not later than 90 days in advance of such meeting. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, and in the event that such business includes a proposal to amend the By-laws of the Corporation, the language of the proposed amendment, (b) the name and address, as they appear on the Corporation's books, of the stockholder intending to propose such business and the name and address of the beneficial owner, if any, on whose behalf the proposal is made, (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder and such beneficial owner, if any, (d) a representation that the stockholder is a holder of record of capital stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present such business, (e) any material interest of the stockholder and the beneficial owner in such business, and (f) a representation whether the stockholder and the beneficial owner, if any, intends or is part of a group which intends to (i) deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal and (ii) otherwise solicit proxies from stockholders in support of such proposal. Nominations for elections of directors at either an annual or special meeting of stockholders shall be made, if at all, in accordance with Section 6 of Article II of these By-laws.

Notwithstanding anything in the By-laws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Section 5. The chairman of the annual meeting may, if the facts warrant, determine and declare to the meeting that (i) the business proposed to be brought before the meeting was not a proper subject therefor and/or (ii) such business was not properly brought before the meeting and in accordance with the provisions of this Section 5 and/or (iii) the stockholder or beneficial owner has solicited or is part of a group which has solicited proxies in support of such proposal without having made the representation required by clause (f) of this Section 5, and, if the chairman should so determine, he may so declare to the meeting and any such proposed business shall not be transacted.

(c) Notice. For purposes of this Section 5, and of Section 6 of Article II of these By-laws, reference to a requirement to deliver notice of information to the Corporation a set number of days in advance of an annual meeting shall mean that such notice must be delivered such number of days in advance of the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from the first anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered to the Corporation not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which notice of such meeting is first given to stockholders. For purposes of these By-laws, notice shall be deemed to be first given to stockholders when disclosure of such date is first made in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act").

(d) Notwithstanding the foregoing provisions of this Section 5, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 5 and in Article II, Section 6 of these By-laws. Nothing in this Section 5 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors under specified circumstances.

Section 6. Adjournments. Subject to the provisions of Article I, Section 7 hereof, any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 7. Quorum and Voting. At any meeting of stockholders the holders of a majority of the shares entitled to vote thereat shall constitute a quorum for the transaction of any business. At each meeting of the stockholders for the election of directors at which a

quorum is present, each director shall be elected by a majority of the votes cast; provided that (i) if, as of the record date for such meeting, the number of nominees exceeds the number of directors to be elected, the nominees receiving the greatest number of votes of the stockholders entitled to vote thereon, present in person or by proxy, shall be the directors for the term as set forth in the Restated Certificate of Incorporation (even if less than a majority), and (ii) no more than the authorized number of directors to be elected as fixed by the Board of Directors shall be elected. For purposes of this Section, a majority of the votes cast means that the number of votes cast “for” a director must exceed the number of votes cast “against” the director. If a director is not elected, the director shall tender his or her resignation to the Board. The Governance Committee of the Board (the “Governance Committee”) will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Governance Committee’s recommendation and publicly disclose its decision within 90 days from the date of the certification of the election results. If, for any cause, the Board of Directors shall not have been elected at an annual meeting, they may be elected thereafter at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws. Each other question properly presented to any meeting of stockholders shall be decided by a majority of the votes cast on the question entitled to vote thereon, except as otherwise required by law or the Restated Certificate of Incorporation. Elections of directors shall be by ballot but the vote upon any other question need be by ballot only if so ordered by the person presiding at the meeting, or by a vote of a majority of the stockholders, present in person or by proxy, entitled to vote on the question. In the event of lack of a quorum, the chairman of the meeting or majority in interest of the stockholders present in person or by proxy may adjourn the meeting from time to time until a quorum shall be obtained.

Treasury shares as of the record date shall not be shares entitled to vote or to be counted in determining the total number of outstanding shares.

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors.

Section 8. Conduct of Meetings. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at such meeting by the person presiding over the meeting. The Board of Directors may (i) appoint a person to preside over meetings of stockholders (in the absence of the Chairman of the Board, the Chief Executive Officer and the President), and (ii) adopt by resolution such rules and regulations for the conduct of meetings of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman shall permit; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

Section 9. Inspectors of Election. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his ability.

The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the

meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

ARTICLE II BOARD OF DIRECTORS

Section 1. Powers of Board. The business of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 2. Number, Election and Terms. Except as otherwise fixed by or pursuant to the provisions of Article Fourth of the Restated Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of the Directors of the Corporation shall be fixed from time to time by the Board of Directors but shall not be less than three. The Directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as determined by the Board of Directors of the Corporation, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1985, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1986, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1987, with each class to hold office until its successor is elected and qualified at each annual meeting of the stockholders of the Corporation, the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

Section 3. Stockholder Nomination of Director Candidates. Advance notice of stockholder nominations for the election of Directors shall be given in the manner provided in Article II, Section 6 of these By-laws.

Section 4. Newly Created Directorships and Vacancies. Except as otherwise provided for or fixed by or pursuant to the provisions of Article Fourth of the Restated Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board of Directors. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor shall have been elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

Section 5. Removal. Subject to the rights of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect Directors under specified circumstances, any Director may be removed from office, with or without cause and only by the affirmative vote of the holders of 80% of the combined voting power of the then outstanding shares of stock entitled to vote generally in the election of Directors, voting together as a single class.

Section 6. Notification of Nominations. Only such persons who are nominated in accordance with the procedures set forth in this Section 6 shall be eligible to be elected at an annual meeting or, in accordance with the provisions of Article I, Section 5 of these By-laws, a special meeting of stockholders of the Corporation to serve as directors. Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of

directors may be made by the Board of Directors or a committee appointed by the Board of Directors by any stockholder of record entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been delivered, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of stockholders, 90 days in advance of such meeting, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to stockholders. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination (and of the beneficial owner, if any, on whose behalf the nomination is made) and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder (and beneficial owner, if any) and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; (e) the consent of each nominee to serve as a director of the Corporation if so elected; and (f) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends to (a) deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect the nominee(s) and (b) otherwise solicit proxies from stockholders in support of such nomination. The chairman of the meeting may refuse to acknowledge or permit the nomination of any person not made in compliance with the foregoing procedure or if the stockholder or beneficial owner has solicited or is part of a group which has solicited proxies in support of such nomination without having made the representations required by clause (f) of this Section 6.

Section 7. Quorum; Vote Required for Action. At all meetings of the Board of Directors a majority of the whole Board shall constitute a quorum for the transaction of business; but if at any meeting of the Board there is less than a quorum present, a majority of those present may adjourn the meeting from time to time. Except in cases in which the Restated Certificate of Incorporation or these By-laws otherwise provide, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 8. First Meeting. As soon as practicable after each annual election of directors, the Board of Directors shall meet for the purpose of organization and the transaction of other business. Notice of such meeting need not be given. In the alternative, such first meeting may be held at any other time which shall be specified in a notice given as hereinafter provided, for special meetings of the Board of Directors.

Section 9. Regular Meetings. Regular meetings of the Board of Directors may be held, without notice, at such times and places as may be fixed by the Board.

Section 10. Special Meetings. Special meetings of the Board of Directors shall be held whenever called by the Chairman or by any two of the directors. Notice of each special meeting of the Board shall be given to each director either by mail not later than noon, New York time, on the third day prior to the meeting, or by electronic transmission, written message or orally to the director not later than noon, New York time, on the day prior to the meeting. Notices are deemed to have been given: by mail, when deposited in the United States mail; by electronic transmission, at the time of transmission; and by messenger, at the time of delivery. Notices by mail, electronic transmission or messenger shall be sent to each director at the address designated by him for that purpose, or, if none has been designated, at his last known residence or business address.

A notice of meeting of the Board of Directors need not specify the purpose of any meeting of the Board of Directors.

Section 11. Organization. The Chairman of the Board of Directors shall preside at meetings of the Board; in the Chairman's absence, a member of the Board selected by the members present shall preside at meetings of the Board. The Secretary of the Corporation shall act as Secretary, but in his absence the presiding officer may appoint a Secretary.

Section 12. Resignations. Any director of the Corporation may resign at any time by giving written notice to the Board of Directors or to the Chairman or to the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, or if no time is specified, upon receipt thereof. Unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective. Any vacancy created by a resignation may be filled in the same manner as prescribed under Article II, Section 4, hereof.

Section 13. Compensation of Directors. The Board of Directors shall have authority to fix the compensation and provide for the reimbursement of expenses of directors in respect of their service in any capacity.

Section 14. Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it.

Section 15. Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to these By-laws.

ARTICLE III OFFICERS

Section 1. Election; Term of Office. The officers of the Corporation shall be elected by and shall serve at the pleasure of the Board of Directors. There may be a Chairman of the Board, a Chief Executive Officer, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as the Board of Directors may determine. Subject to the provisions of these By-laws, officers shall hold their offices until their successors are elected and qualified or until their earlier death, resignation or removal. Any number of offices may be held by the same person.

Section 2. Powers and Duties. The officers of the Corporation shall have such authority and perform such duties in the management of the Corporation as may be prescribed by the By-laws, or by the Board of Directors, and to the extent not so prescribed pursuant to the By-laws, they shall have such authority and perform such duties in the management of the Corporation, subject to the control of the Board, as generally pertain to their respective offices.

Section 3. Chairman of the Board. The Chairman of the Board shall preside at the meetings of the Board and of stockholders and shall see that all orders and resolutions of the Board are carried into effect.

Section 4. Chief Executive Officer. The Chief Executive Officer shall have general and active supervision and management of the business of the Corporation. In the absence of the Chairman, he shall preside at meetings of stockholders.

Section 5. President. The President shall be the chief operating officer of the Corporation. In the absence of the Chairman and the Chief Executive Officer, he shall preside at meetings of stockholders.

Section 6. Resignation, Removal and Vacancies. Any officer may resign at any time upon written notice to the Corporation. Any officer elected by the Board of Directors may be removed at any time, with or without cause, by the affirmative vote of a majority of a quorum of Directors. The Board of Directors may fill any vacancies resulting from death, resignation, or removal of an officer in the same manner as provided for the election or appointment of such person.

ARTICLE IV OTHER MATTERS

Section 1. Corporate Seal. The corporate seal shall be in such form as the Board of Directors shall prescribe. Said seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise used. The Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer may affix the seal to any instrument signed by a duly authorized officer, or when specifically authorized by the Board of Directors, and may attest the same. Unless otherwise provided by the Board of Directors, the seal may also be attested by any officer of the Corporation except the officer signing the instrument on behalf of the Corporation.

Section 2. Waiver of Notice. Whenever any notice is required to be given under the Restated Certificate of Incorporation, the Bylaws or otherwise by law, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice.

Section 3. Voting of Stocks Owned by the Corporation. The Chairman of the Board of Directors or such other person as the Board of Directors may designate shall be authorized to attend, vote and grant proxies to be used at any meeting of stockholders of any corporation in which the Corporation may hold stock.

Section 4. By-law Amendment. Subject to the provisions of the Restated Certificate of Incorporation, these By-laws may be altered, amended or repealed at any regular meeting of the stockholders (or at any special meeting thereof duly called for that purpose) by a majority of the votes cast on the question entitled to vote thereon; provided that in the notice of such special meeting notice of such purpose shall be given. Subject to the laws of the State of Delaware, the Restated Certificate of Incorporation and these By-laws, the Board of Directors may, by majority vote of those present at any meeting at which a quorum is present, amend these By-laws or enact such other By-laws as in their judgment may be advisable for the regulation of the conduct of the affairs of the Corporation.

Section 5. Construction. The masculine gender, where appearing in these By-laws, shall be deemed to include the feminine gender.

Exhibit (10.1)

PITNEY BOWES INC. 2007 STOCK PLAN

Section 1. Purpose.

The purposes of the Pitney Bowes Inc. Stock Plan, effective as of May 1, 2007, (the "Plan") are (1) to make available to key employees, certain compensatory arrangements related to the growth in value of the common stock of the Company so as to generate an increased incentive to contribute to the Company's future financial success and prosperity, (2) to enhance the ability of the Company and its Affiliates to attract and retain exceptionally qualified individuals whose efforts can affect the financial growth and profitability of the Company, and (3) to align generally the interests of key employees of the Company and its Affiliates with the interests of Pitney Bowes shareholders.

Section 2. Definitions.

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) "Affiliate" shall mean (i) any entity that, directly or through one or more intermediaries, is controlled by the Company or (ii) any entity in which the Company has a significant equity interest, as determined by the Committee. Aggregation rules set forth in Code Sections 409A and 414(b) and (c) will be used in determining Affiliate status, except that a 50% test, instead of an 80% test, shall be used to determine controlled group status, to the extent not inconsistent with rules of Code Section 409A.
 - (b) "Award" shall mean any Option, Restricted Stock, Restricted Stock Unit, Dividend Equivalent, Stock Appreciation Right, Other Stock-Based Award, Performance Award or Substitute Award, granted under the Plan.
 - (c) "Award Agreement" shall mean any written agreement, contract, or other instrument or document (including electronic communication) specifying the terms and conditions of an Award granted under the Plan, as may from time to time be approved by the Company, to evidence an Award granted under the Plan.
 - (d) "Board of Directors" shall mean the Board of Directors of the Company as it may be composed from time to time.
 - (e) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, or any successor code thereto.
 - (f) "Committee" shall mean the committee designated by the Board of Directors to administer the Plan pursuant to Section 3. The Board of Directors and the Committee shall each have the authority to delegate its duties under the Plan to the fullest extent permitted by Delaware law.
 - (g) "Company" shall mean Pitney Bowes Inc., or any successor thereto.
 - (h) "Covered Award" means an Award, other than an Option, Stock Appreciation Right or other Award with an exercise price per Share not less than the Fair Market Value of a Share on the date of grant of such Award, to a Covered Employee, if it is designated as such by the Committee at the time it is granted. Covered Awards are subject to the provisions of Section 14 of this Plan.
 - (i) "Covered Employee" means any Participant who is, or who the Committee has determined may be at the time taxable income is realized with respect to an Award, a "covered employee" within the meaning of Section 162(m).
 - (j) "Disability" shall have the meaning established by the Committee or, in the absence of Committee determination, shall mean a Participant who is "disabled" for two years under the provisions and procedures of the Pitney Bowes Long Term Disability (LTD) Plan, irrespective of whether the Participant is eligible to receive benefits under the LTD Plan, or a Participant entitled to receive benefits for two years under state worker's compensation laws.
 - (k) "Dividend Equivalent" shall mean any right granted under Section 6(c) of the Plan.
 - (l) "Dividend Equivalent Shares" shall be Shares issued pursuant to the deemed reinvestment of dividends under Restricted Stock, Restricted Stock Units or other Awards, provided that such Shares shall be subject to the same vesting, risk of forfeiture, deferral or other conditions or restrictions as apply to the Restricted Stock, Restricted Stock Units or other Awards as to which they accrue, and to such further conditions or restrictions as the Committee may determine.
 - (m) "Employee" shall mean any employee of the Company or of any Affiliate.
 - (n) "Fair Market Value" shall mean, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee. The Fair Market Value of a Share of Company common stock on the date of grant shall be the closing price of a Share of the Company's common stock on the date of grant as reported in the New York Stock Exchange Composite Transactions Table published in the Wall Street Journal. If the New York Stock Exchange (NYSE) is closed on the date of grant, then Fair Market Value shall be the closing price on the first trading day of the NYSE immediately following the grant date.
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- (o) “Incentive Stock Option” or “ISO” shall mean an option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.
- (p) “Non-Qualified Stock Option” shall mean an option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.
- (q) “Option” shall mean an Incentive Stock Option or a Non-Qualified Stock Option.
- (r) “Other Stock-Based Award” shall mean any Award granted under Section 6(d) of the Plan.
- (s) “Participant” shall mean an Employee who is granted an Award under the Plan.
- (t) “Performance Award” shall mean any Award granted hereunder that complies with Section 6(e)(ii) of the Plan.
- (u) “Performance Goals” means any Qualifying Performance Criteria or such other performance goals based on such corporate (including any subsidiary, division, department or unit), individual or other performance measure as the Committee may from time to time establish.
- (v) “Person” shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.
- (w) “Prior Plan” shall mean the Pitney Bowes Stock Plan, as amended and restated as of January 1, 2002.
- (x) “Qualifying Performance Criteria” means one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit, subsidiary, division or department, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous year’s results or to a designated comparison group, in each case established by the Committee: operating income, revenues, organic revenue growth, net income, return on operating assets, gross profit, operating profit, earnings before interest and taxes (EBIT), earnings before interest, taxes, depreciation and amortization (EBITDA), return on investment, economic value added, earnings per share, return on stockholder equity, total stockholder return, total earnings, income from continuing operations, growth of book or market value of capital stock, stock price, free cash flow, adjusted free cash flow, or achievement of cost control. Performance Goals shall be set by the Committee within the time period prescribed by Section 162(m).
- (y) “Released Securities” shall mean Shares issued or issuable under any Restricted Stock, Restricted Stock Unit or other Award as to which all conditions for the vesting and issuance of such Shares have expired, lapsed, or been waived.
- (z) “Restricted Stock” shall mean any Share granted under Section 6(b) of the Plan.
- (aa) “Restricted Stock Unit” or “RSU” shall mean any right granted under Section 6(b) of the Plan that is denominated in Shares.
- (bb) “Retirement” shall mean a Participant who has terminated employment on or after attainment of age 55 with at least 10 years of service with the Company or Affiliate as determined under the Pitney Bowes Pension Plan. In certain jurisdictions outside the United States, as noted in the Award Agreement, “Retirement” shall mean eligibility to retire under the local pension plan or state retirement program with at least 10 years of service with the Company or Affiliate.
- (cc) “Rule 16b-3” shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended, or any successor rule and the regulation thereto.
- (dd) “Section 162(m)” means Section 162(m) of the Code or any successor thereto, and the Treasury Regulations thereunder.
- (ee) “Share” or “Shares” shall mean share(s) of the common stock of the Company, \$1 par value, and such other securities or property as may become the subject of Awards pursuant to the adjustment provisions of Section 4(c).
- (ff) “Stock Appreciation Rights” or “SARs” shall mean a right granted under Section 6(a) of the Plan that entitles the Participant to receive, in cash or Shares or a combination thereof, as determined by the Committee, value equal to or otherwise based on the excess of (A) the Fair Market Value of a specified number of Shares at the time of exercise over (B) the exercise price of the right, as established pursuant to Section 6(a)(i).
- (gg) “Substitute Award” shall mean an Award granted in assumption of, or in substitution for, an outstanding Award previously granted by a company acquired by the Company or with which the Company combines.

Section 3. *Administration.*

- (a) The Plan shall be administered by the Committee. Any power of the Committee may also be exercised by the Board of Directors, except to the extent that the grant or exercise of such authority would cause any Award or transaction to become subject to (or lose an exemption under) the short-swing profit recovery provisions of Section 16 of the Securities Exchange Act of 1934, as amended or cause an Award designated as a Covered Award not to qualify for treatment as performance-based compensation under Section 162(m). To the extent that any permitted action taken by the Board of Directors conflicts with action taken by the Committee, the Board of Directors' action shall control. Subject to the terms of the Plan and applicable law, the Committee shall have full power and authority to:
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- (i) designate Participants;
 - (ii) determine the type or types of Awards to be granted to each Participant under the Plan;
 - (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards;
 - (iv) determine the terms and conditions of any Award;
 - (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or to what extent, and under what circumstances Awards may be canceled, forfeited, or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended;
 - (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee;
 - (vii) interpret and administer the Plan and any instrument or agreement relating to the Plan, or any Award made under the Plan, including any Award Agreement;
 - (viii) correct any defect or error; supply any omission, or reconcile any inconsistency in the administration of the Plan or in any Award Agreement in the manner and to the extent it shall deem desirable to effectuate the purposes of the Plan and the related Award;
 - (ix) establish, amend, suspend, or reconcile such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and
 - (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.
- (b) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan, any Award, or any Award Agreement, shall be within the sole discretion of the Committee, may be made at any time, and shall be final, conclusive, and binding upon all Persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award, and any Employee.
- (c) The Committee may, from time to time, authorize one or more officers of the Company to perform any or all things that the Committee is authorized and empowered to do or perform under the Plan, and for all purposes under this Plan, such officer or officers shall be treated as the Committee; provided, however, that the resolution so authorizing such officer or officers shall specify the total number of Awards (if any) such officer or officers may award pursuant to such delegated authority and any such Award shall be subject to the form of Award Agreement theretofore approved by the Committee. No such officer shall designate himself or herself as a recipient of any Awards granted under authority delegated to such officer. In addition, the Committee may delegate any or all aspects of the day-to-day administration of the Plan to one or more officers or employees of the Company or any subsidiary, and/or to one or more agents.

Section 4. *Shares Available for Awards.*

- (a) **Maximum Shares Available.** The maximum number of Shares that may be issued to Participants pursuant to Awards under the Plan shall be fifteen million (15,000,000) Shares plus any Shares subject to outstanding Awards under the Prior Plan as of April 30, 2007 that on or after such date cease for any reason to be subject to such Awards (other than by reason of exercise or settlement of the Awards to the extent they are exercised for or settled in vested and nonforfeitable Shares) (collectively, the “Plan Maximum”), subject to adjustment as provided in Section 4(c) below.

Only 7,500,000 Shares may be issued for Awards that are not Options or Stock Appreciation Rights. Pursuant to any Awards, the Company may in its discretion issue treasury Shares or authorized but previously unissued Shares pursuant to Awards hereunder. For the purpose of accounting for Shares available for Awards under the Plan, the following shall apply:

- (i) Only Shares relating to Awards actually issued or granted hereunder shall be counted against the Plan Maximum. Shares corresponding to Awards that by their terms expired, or that are forfeited, canceled or surrendered to the Company without consideration paid therefore and Shares subject to Awards, that are settled in cash shall not be counted against the Plan Maximum.
 - (ii) Shares that are forfeited by a Participant after issuance, or that are reacquired by the Company after issuance without consideration paid therefore, shall be deemed to have never been issued under the Plan and accordingly shall not be counted against the Plan Maximum.
 - (iii) Substitute Awards and Dividend Equivalent Shares shall be counted against the Plan Maximum, and clauses (i) and (ii) of this Section shall not apply to such Awards.
 - (iv) Notwithstanding anything herein to the contrary, Shares subject to an Award under the Plan may not again be made available for issuance under the Plan if such Shares are: (A) Shares that were subject to an Option or a
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stock-settled Stock Appreciation Right and were not issued upon the net settlement or net exercise of such Option or Stock Appreciation Right, (B) Shares delivered to or withheld by the Company to pay the exercise price of an Option or the withholding taxes related to an Option or Stock Appreciation Right, or (C) Shares repurchased on the open market with the proceeds of an Option exercise.

- (b) **Code Limitations.** Subject to adjustment as provided in Section 4(c) below, the maximum number of Shares for which ISOs may be granted under the Plan shall not exceed the Plan Maximum as defined in Section 4(a) above, and the maximum number of Shares that may be the subject of Awards made to a single Participant in any one calendar year shall not exceed 600,000.
- (c) **Adjustments to Avoid Dilution.** Notwithstanding paragraphs (a) and (b) above, in the event of a stock dividend, extraordinary cash dividend, split-up or combination of Shares, merger, consolidation, reorganization, recapitalization, spin-off or other change in the corporate structure or capitalization affecting the outstanding common stock of the Company, the Committee shall make equitable adjustments to (i) the number or kind of Shares subject to the Plan Maximum that remain subject to outstanding Awards or available for issuance under the Plan, subject to the Plan Maximum as adjusted pursuant to Section 4, (ii) the number and type of Shares subject to the limitations set forth in Section 4(b), (iii) the number and type of Shares subject to outstanding Awards, and (iv) the grant, purchase, or exercise price with respect to any Award. Such adjustment may include provision for cash payment to the holder of an outstanding Award. Any adjustment to the limitations set forth in Section 4(b) shall be made in such manner as to preserve the ability to grant ISOs and Awards that qualify for deductibility under Section 162(m) and any other such adjustment may be designed to comply with applicable provisions of the Code, including without limitation Section 409A, may be designed to treat the Shares available under the Plan and subject to Awards as if they were all outstanding on the record date for such event or transaction or may be designed to increase the number of such Shares available under the Plan and subject to Awards to reflect a deemed reinvestment in Shares of the amount distributed to the Company's security holders in connection with such event or transaction. The determination of the Committee as to the adjustments or payments, if any, to be made shall be conclusive.

Section 5. *Eligibility.*

Any Employee of the Company or of any Affiliate shall be eligible to be designated a Participant.

Section 6. *Awards.*

- (a) **Options and Stock Appreciation Rights.** The Committee is hereby authorized to grant Options and Stock Appreciation Rights to Participants with the following terms and conditions and with such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine:
 - (i) **Exercise Price.** The exercise price per Share under an Option shall be determined by the Committee; provided, however, that except in the case of Substitute Awards or tandem SARs, no Option or Stock Appreciation Right granted hereunder may have an exercise price of less than 100% of Fair Market Value of a Share on the date of grant.
 - (ii) **Times and Method of Exercise.** The Committee shall determine the time or times at which an Option or Stock Appreciation Right may be exercised in whole or in part; in no event, however, shall the period for exercising an Option or a Stock Appreciation Right extend more than 10 years from the date of grant. The Committee shall also determine the method or methods by which Options and/or Stock Appreciation Rights may be exercised, and the form or forms (including without limitation, cash, Shares previously acquired and Shares otherwise issuable under the Option, other Awards, or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price) in which payment of the exercise price of an Option may be made or deemed to have been made. The Committee may also allow cash and cashless exercise of an Option through a registered broker.
 - (iii) **Incentive Stock Options.** Notwithstanding anything to the contrary in this Section 6(a), in the case of the grant of an Option intending to qualify as an Incentive Stock Option: (A) if the Participant owns stock possessing more than 10 percent of the combined voting power of all classes of stock of the Company (a "10% Stockholder"), the exercise price of such Incentive Stock Option must be at least 110 percent of the Market Value of the Shares on the date of grant and the Option must expire within a period of not more than five (5) years from the date of grant, and (B) "termination of employment" will occur when the person to whom an Award was granted ceases to be an employee (as determined in accordance with Section 3401(c) of the Code and the regulations promulgated thereunder) of the Company and its subsidiaries. Notwithstanding anything in this Section 6(a) to the contrary, Options designated as Incentive Stock Options shall not be eligible for treatment under the Code as Incentive Stock Options (and will be deemed to be Non-Qualified Stock Options) to the extent that either (1) the aggregate Fair Market Value of Shares (determined as of the time of grant) with respect to which such Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any subsidiary) exceeds \$100,000, taking Options into account in the order in which they were granted, or (2)
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such Options otherwise remain exercisable but are not exercised within three (3) months of termination of employment (or such other period of time provided in Section 422 of the Code).

- (iv) Stock Appreciation Rights (SARs). Stock Appreciation Rights may be granted to Participants from time to time either in tandem with or as a component of other Awards granted under the Plan ("tandem SARs") or not in conjunction with other Awards ("freestanding SARs") and may, but need not, relate to a specific Option granted under this Section 6(a). Any Stock Appreciation Right granted in tandem with an Award may be granted at the same time such Award is granted or at any time thereafter before exercise or expiration of such Award. All freestanding SARs shall be granted subject to the same terms and conditions applicable to Options as set forth in this Section 6(a) and all tandem SARs shall have the same exercise price, vesting, exercisability, forfeiture and termination provisions as the Award to which they relate. Stock Appreciation Rights may be settled in cash or stock at the discretion of the Committee.
 - (b) Restricted Stock and Restricted Stock Units. Subject to Section 4 hereof, the Committee is authorized to grant Awards of Restricted Stock and/or Restricted Stock Units to Participants with the following terms and conditions:
 - (i) Restrictions. Restricted Stock and Restricted Stock Units may be granted at any time and from time to time prior to the termination of the Plan to Participants selected by the Committee. Restricted Stock is an Award or issuance of Shares of common stock the grant, issuance, retention, vesting and/or transferability of which is subject to such conditions (including, without limitation, continued employment over a specified period or the attainment of specified performance criteria (including, but not limited to, one or more Qualifying Performance Criteria in accordance with Section 14)), and terms as the Committee deems appropriate, which conditions may lapse separately or concurrently at such time or times, in such installments or otherwise, as the Committee may deem appropriate. Restricted Stock Units are Awards denominated in units of common stock under which the issuance of Shares of common stock is subject to such conditions (including, without limitation, continued employment over a specified period or the attainment of specified performance criteria (including, but not limited to, one or more Qualifying Performance Criteria in accordance with Section 14)) and terms as the Committee deems appropriate. Each grant of Restricted Stock and Restricted Stock Units shall be evidenced by an Award Agreement. Notwithstanding the foregoing, (A) any Awards of Restricted Stock or Restricted Stock Units as to which the sole restriction relates to the passage of time and continued employment must have a restriction period of not less than three years, except that such Award may allow pro-rata vesting during the restriction period and (B) any Award not described in Clause (A) must provide for the lapse of restrictions based on performance criteria and level of achievement versus such criteria over a performance period of not less than one year, except, in the case of both (A) and (B) the Committee may provide for the satisfaction and/or lapse of all restrictions under any such Award in the event of the Participant's death, Disability or Retirement or a Change of Control. A Restricted Stock Unit may be settled in cash or Shares as the Committee may determine from time to time.
 - (c) Dividend Equivalents. The Committee may (either alone or as a component of any other Award granted under the Plan) grant to Participants Dividend Equivalents under which the holders thereof shall be entitled to receive payments equivalent to dividends with respect to a number of Shares determined by the Committee, and the Committee may provide that such amounts shall be deemed to have been reinvested in Dividend Equivalent Shares or otherwise reinvested.
 - (d) Other Stock-Based Awards. The Committee is hereby authorized to grant to Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to Shares (including without limitation securities convertible into Shares), as are deemed by the Committee to be consistent with the purposes of the Plan.
 - (i) If applicable, Shares or other securities delivered pursuant to a purchase right granted under this Section 6(d) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including without limitation cash, Shares, other securities, other Awards or other property, or any combination thereof, as the Committee shall determine.
 - (ii) In granting any Other Stock-Based Award pursuant to this Section 6(d) the Committee shall also determine what effect the termination of employment of the Participant holding such Award shall have on the rights of the Participant pursuant to the Award.
 - (e) General. The following general provisions shall apply to all Awards granted hereunder, subject to the terms of the Plan or any Award Agreement.
 - (i) Award Agreements. Each Award granted under this Plan shall be evidenced by an Award Agreement which shall specify the relevant material terms and conditions of the Award and which shall be signed by the Participant receiving such Award (including, if the Committee so permits or requires, through an electronic signature), if so indicated by the Award. The Plan shall govern over any discrepancies between the Plan and the Award Agreement.
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- (ii) Performance Awards. Subject to the other terms of this Plan, the grant, retention, issuance, payment, release, vesting or exercisability of any Award, in whole or in part, may be conditioned upon the achievement of such performance criteria during such performance periods as are specified by the Committee, which performance criteria may include Qualifying Performance Criteria or other standards of financial performance and/or personal performance.
 - (A) Terms. The Committee shall establish the terms and conditions of any Performance Award including the performance criteria to be achieved during any performance period, the length of any performance period, any event the occurrence of which will entitle the holder to be deemed to have satisfied the applicable performance criteria, and the amount of any Performance Award granted.
 - (B) Fulfillment of Conditions and Payment. The Committee shall determine in a timely manner whether all or part of the conditions to payment of a Performance Award have been fulfilled and, if so, the amount, if any, of the payment to which the Participant is entitled.
- (iii) Limits on Transfer of Awards. Unless determined otherwise by the Committee, no unexercised Stock Option or SAR and no unvested or unearned Restricted Stock, Restricted Stock Unit or Other Stock- Based Award, and no right under any such Award shall be assignable, alienable, pledgeable, attachable, encumberable, saleable, or transferable by a Participant other than by will or by the laws of descent and distribution (or, in the case of Awards that are forfeited or canceled, to the Company); and any purported assignment, sale or transfer thereof shall be void and unenforceable against the Company or Affiliate. If the Committee so indicates in writing to a Participant, he or she may designate one or more beneficiaries who may exercise the rights of the Participant and receive any property distributable with respect to any Award upon the death of the Participant.

Each Award, and each right under any Award, shall be exercisable, during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative.

- (iv) Gift and Estate Transfers.
 - (A) Gift. Notwithstanding Section 6(e)(iii) herein to the contrary, the Committee may permit, subject to establishment of appropriate administrative procedures, a Participant to transfer by gift an unexercised Stock option or SAR and/or an unvested or unearned Restricted Stock, Restricted Stock Unit or Other Stock-Based Award, provided that the following conditions are met:
 - (1) The donees of the gift transfer are limited to Family Members and Family Entities.
 - (2) The Option or Stock Appreciation Right is not further transferable by gift or otherwise by such Family Member or Family Entity.
 - (3) All rights appurtenant to the Option or Stock Appreciation Right, including exercise rights, are irrevocably and unconditionally assigned to the donee.
 - (4) Transfers under this Section 6(e)(iv) must meet all of the requirements under applicable provisions of the Code to be considered "gift" transfers.
 - (5) The donor and the donee have executed such form of agreement as the Committee may require pursuant to which each agree to be subject to such terms and conditions with respect to the transferred Award as the Committee may specify.
 - (6) Except to the extent specified otherwise in the agreement the Committee provides for the Participant and transferee to execute, all vesting, exercisability and forfeiture provisions that are conditioned on the Participant's continued employment or service shall continue to be determined with reference to the Participant's employment or service (and not to the status of the transferee) after any transfer of an Award pursuant to this Section 6(e)(iv), and the responsibility to pay any taxes in connection with an Award shall remain with the Participant notwithstanding any transfer other than by will or intestate succession.

For purposes of the Plan, the following definitions shall apply:

- (i) Family Member means the Participant's natural or adopted child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, nephew, niece and any person sharing the Participant's household (other than a tenant or employee); and
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- (ii) Family Entity means any trust in which the Participant has more than a 50% beneficial interest and any entity in which the Participant and/or a Family Member owns more than 50% of the voting interests.
- (B) Estate. In the case of death, Awards made hereunder may be transferred to the executor or personal representative of the Participant's estate or the Participant's heirs by will or the laws of descent and distribution.
- (v) No Cash Consideration for Awards. Awards may be granted for no cash consideration, or for such minimal cash consideration as the Committee may specify, or as may be required by applicable law.
- (vi) Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or subject to Section 8(a), in substitution for any other Award or any award granted under any other plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards. Performance Awards and Awards which are not Performance Awards may be granted to the same Participant.
- (vii) Forms of Payment Under Awards. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise, or payment of an Award may be made in such form or forms as the Committee shall determine, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents in respect of installment or deferred payments. Notwithstanding the foregoing, unless the Committee expressly provides otherwise, with specific reference to this provision, the payment terms for any Award shall be implemented in a manner consistent with the requirements of Section 409A of the Code, to the extent applicable.
- (viii) Term of Awards. Except as provided in Sections 6(a)(ii) or 7(b), the term of each Award shall be for such period as may be determined by the Committee.
- (ix) Share Certificates. All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.

Unrestricted certificates representing Shares, evidenced in such manner as the Committee shall deem appropriate, which may include recording Shares on the stock records of the Company or by crediting Shares in an account established on the Participant's behalf with a brokerage firm or other custodian, in each case as determined by the Company, shall be delivered to the holder of Restricted Stock, Restricted Stock Units or any other relevant Award after such restricted Shares shall become Released Securities, subject to any delay in order to provide the Company such time as it determined appropriate to address tax withholding and other administrative matters.

Section 7. *Vesting and Exercising.*

- (a) Generally. Subject to the terms of the Plan, the Award Agreement shall designate the terms under which the Award vests and/or is exercisable according to terms and conditions authorized by the Committee. For purposes of the Plan, any reference to the "vesting" of an Option shall mean any events or conditions which, if satisfied, entitle a Participant to exercise an Option or a SAR with respect to all or a portion of the Shares covered by the Option or SAR. Vesting of a Restricted Stock Award or a Restricted Stock Unit shall mean any events or conditions which, if satisfied, entitle the Participant to the underlying stock certificate without restrictions (or cash as the case may be). Notwithstanding anything to the contrary herein, the Company reserves the right to make Awards representing up to 5% of the total Shares issued under the Plan that are fully vested upon the making of the Award. Moreover the Committee may in its sole discretion accelerate vesting of an Award made hereunder on account of a Termination with Conditions Imposed as described under Section 7(b)(iii) or following a Change of Control as discussed in Section 9 herein. Except as otherwise permitted by Section 409A of the Code, an Award constituting nonqualified deferred compensation subject to the provisions of Section 409A of the Code shall not be accelerated.
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- (b) Termination of Employment. Unless the Committee specifies otherwise, either at the time of grant or thereafter, the following rules govern Awards upon a Participant's termination of employment:
- (i) Death, Disability and Retirement. The Committee may in its discretion provide for an additional exercise period beyond the Participant's death, Disability or Retirement (but in any case, not longer than the original term of the Award) and may establish such vesting requirement relating to the Participant's death, Disability or Retirement as the Committee in its discretion may determine.
- (A) Options and SARs. In the event that a Participant terminates employment on account of death, Disability or Retirement, Options and SARs granted hereunder shall be exercisable only as specified below:
- (1) Options and SARs Granted On or After January 1, 2002 through April 30, 2007. On or after January 1, 2002 through April 30, 2007, at the time of making the Award, the Committee may in its discretion provide for an additional exercise period beyond the Participant's death, Disability or Retirement (but in any case not longer than the original term of the Award) and may establish such vesting requirements relating to the Participant's death, Disability, and Retirement as the Committee in its discretion may determine. Any additional exercise period beyond the Participant's death, Disability or Retirement (as contemplated by this paragraph) shall be set forth in the Participant's Award Agreement.
 - (2) Options Granted On or After October 1, 2000 through December 31, 2001. On or after October 1, 2000 through December 31, 2001, the Committee may in its discretion grant Options with such terms and conditions as it may determine pursuant to the Plan; provided, however, that such terms and conditions are not required to be consistent with Section 7(b)(i)(A) as in effect prior to October 1, 2000 or Section 7(b)(iv).
 - (3) Options Granted On or After January 1, 1999 through September 30, 2000. If a Participant dies, becomes disabled or retires, any outstanding Option granted to such a Participant on or after January 1, 1999 through September 30, 2000, whether or not full or partial vesting has occurred with respect to such Option at the time of the death, Disability or Retirement, shall be exercisable during the ten (10) year period beginning on the date of grant (or during such shorter period if the original term is less than ten (10) years) even though death, Disability or Retirement occurs prior to the last day of such option term. Any vesting requirements under the Option shall be deemed to be satisfied as of the date of death, Disability, or Retirement.
 - (4) Options Granted Prior to January 1, 1999. If a Participant dies, becomes disabled or retires, any outstanding Option granted to such Participant prior to January 1, 1999, whether or not full or partial vesting has occurred with respect to such Option at the time of death, Disability or Retirement, shall be exercisable for four (4) years (or during such shorter period if the remaining term of the Option is less than four (4) years) following the death, Disability, or Retirement unless the Committee has, in its sole discretion, established a special exercise period following the occurrence of such events. Any vesting requirements under the Option shall remain in effect during the exercise period following the Participant's death, Disability, or Retirement.
- (B) Restricted Stock and RSUs. The Award Agreement shall set forth vesting provisions applicable to Restricted Stock and RSU Awards upon the Participant's death, Disability or Retirement. The Committee may waive in whole or in part any or all remaining restrictions with respect to Restricted Stock or Restricted Stock Units and vest the Awards upon the Participant's death, Disability or Retirement.
- (C) Dividend Equivalents and Other Awards. In the event the Participant's employment terminates because of death, Disability or Retirement, the Committee may determine that the Participant's rights to Dividend Equivalents and Other Stock-Based Awards terminate at a later date. The Committee, in its sole discretion at the time of making such Awards, may set forth special vesting rules with respect to Dividend Equivalents and Other Stock-Based Awards on account of the death, Disability or Retirement of a Participant.
- (ii) Sale of Business, Spin off Transactions. In the case of a sale of business or a spin off transaction the Committee shall determine the treatment of all outstanding Awards, including without limitation, determining the vesting terms, conversion of Shares and continued exercisability. Unless otherwise provided for by the Committee, in the event the "business unit" (defined as a division, subsidiary, unit or other delineation that the Committee in its sole discretion may determine) for which the Participant performs substantially all of his or her services is spun off by the Company or an Affiliate in a transaction that qualifies as a tax-free distribution of stock under Section 355 of the Code, or is assigned, sold,
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outsourced or otherwise transferred, including an asset, stock or joint venture transaction, to an unrelated third party, such that after such transaction the Company owns or controls directly or indirectly less than 51% of the business unit, the affected Participant shall become: 100% vested in all outstanding Awards as of the date of the closing of such transaction, whether or not fully or partially vested, and such Participant shall be entitled to exercise such Options and Stock Appreciation Rights during the three (3) months following the closing of such transaction, unless the Committee has established an additional exercise period (but in any case not longer than the original option term). All Options and Stock Appreciation Rights which are unexercised at the end of such three (3) months or such additional exercise period shall be automatically forfeited.

- (iii) **Terminations with Conditions Imposed.** Notwithstanding the foregoing provisions describing the additional exercise and vesting periods for Awards upon termination of employment, the Committee may, in its sole discretion, condition the right of a Participant to vest or exercise any portion of a partially vested or exercisable Award for which the Committee has established at the time of making the Award an additional vesting or exercise period on the Participant's agreement to adhere to such conditions and stipulations which the Committee may impose, including, but not limited to, restrictions on the solicitation of employees or independent contractors, disclosure of confidential information, covenants not to compete, refraining from denigrating through adverse or disparaging communication, written or oral, whether or not true, the operations, business, management, products or services of the Company or its current or former employees and directors, including without limitation, the expression of personal views, opinions or judgments. The unvested Awards of any Participant for whom the Committee at the time of making the Award has given an additional vesting and exercise period subject to such conditions subsequent as set forth in this Section 7(b)(iii) shall be forfeited immediately upon a breach of such conditions.
- (iv) **Termination for Other Reasons.** If a Participant terminates employment for reasons other than those enumerated above, the following rules shall apply.
 - (A) **Options and SARs.** Any vested, unexercised portion of an Option or SAR at the time of the termination shall be forfeited in its entirety if not exercised by the Participant within three (3) months of the date of termination of employment, unless the Committee has in its sole discretion at the time of making the Award established an additional exercise period (but in any case not longer than the original option term). Any portion of such partially vested Option or SAR that is not vested at the time of termination shall be forfeited unless the Committee has in its sole discretion at the time of making the Award established that a Participant may continue to satisfy the vesting requirements beyond the date of his or her termination of employment. Any outstanding Option or SAR granted to a Participant terminating employment other than for death, Disability or Retirement, for which no vesting has occurred at the time of the termination shall be forfeited on the date of termination and the Committee shall have no discretion to extend the exercise period of such Option or SAR.
 - (B) **Restricted Stock and RSUs.** All unvested Restricted Stock and Restricted Stock Units, or any unvested portion thereof, still subject to restrictions shall be forfeited upon termination of employment and reacquired by the Company.
 - (C) **Dividend Equivalents and Other Stock-Based Awards.** Any Dividend Equivalents or unvested portion of Other Stock-Based Awards made hereunder shall be forfeited upon termination of employment.

(c) **Forfeiture of Awards**

- (i) Notwithstanding anything to the contrary herein, if at any time (including after a notice of exercise has been delivered) the Committee, including any subcommittee or administrator authorized pursuant to Section 3(c) (any such person, an "Authorized Officer"), reasonably believes that a Participant has engaged in Gross Misconduct as defined in this Section, the Authorized Officer may suspend the Participant's right to exercise any Stock Option or SAR or receive Shares under any other Award pending a determination of whether the Participant has engaged in Gross Misconduct. If the Committee or an Authorized Officer determines a Participant has engaged in Gross Misconduct, as defined herein, (including any Participant who may otherwise qualify for Disability or Retirement status), the Participant shall forfeit all outstanding Awards, whether vested or unvested, as of the date such Gross Misconduct occurs. In addition, the Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to recoupment upon the occurrence of Gross Misconduct. For purposes of the Plan, Gross Misconduct shall be defined to mean (1) the Participant's conviction of a felony (or crime of similar magnitude in non-U.S. jurisdictions) in connection with the performance or nonperformance of the Participant's duties or (2) the Participant's willful act or failure to act in a way that results in material injury to the business or reputation of the
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Company or employees of the Company. "Material injury" for this purpose means substantial and not inconsequential as determined by the Committee, or its delatee. For this purpose there is no intended similarity between "Material Injury" and the accounting or securities standard of "materiality."

- (ii) The Committee in its sole discretion may forfeit any outstanding Award on account of a Participant's violation of the terms of the Proprietary Interest Protection Agreement or similar agreement signed by the Participant which prohibits the Participant's assignment of intellectual property, transmission of confidential information, competition or solicitation of employees or business.
 - (iii) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, if the Participant knowingly or grossly negligently engaged in the misconduct, or knowingly or through gross negligence failed to prevent the misconduct, or if the Participant is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes Oxley Act of 2002, the Participant shall reimburse the Company the amount of any payment earned or realized under an Award during the twelve (12) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever just occurred) of the financial document embodying such financial reporting requirement.
- (d) Withholding. To the extent required by applicable Federal, state, local or foreign law, a Participant (including the Participant to whom an Award that has been transferred was originally granted) or in the case of the Participant's death, the Participant's estate or beneficiary, shall be required to satisfy, in a manner satisfactory to the Company, any withholding tax obligations that arise by reason of an Option or Stock Appreciation Right exercise, disposition of Shares issued under an Incentive Stock Option, the vesting of or settlement of an Award, an election pursuant to Section 83(b) of the Code or otherwise with respect to an Award. The Company and its Affiliates shall not be required to issue Shares, make any payment or to recognize the transfer or disposition of Shares until such obligations are satisfied. The Company or any Affiliate may withhold from any Award granted or any payment due or transfer made under any Award or under the Plan the amount (in cash, Shares, other securities, other Awards, or other property) of withholding Federal, state or local taxes due in respect of an Award, but no more than the minimum tax withholding required to comply with such law, its exercise, or any payment or transfer under such Award or under the Plan and to take such other action as may be necessary in the opinion of the Company or Affiliate to satisfy all obligations for the payment of such taxes.
- (e) Registration, Repricing and Reload.
- (i) Registration. Any Restricted Stock granted under the Plan may be evidenced in such manner, as the Committee may deem appropriate, including without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.
 - (ii) No Repricing. Other than in connection with a change in the Company's capitalization (as described in Section 4(c) of the Plan), the exercise price of an Option or Stock Appreciation Right may not be reduced without stockholder approval.
 - (iii) No Reload Grants. Options shall not be granted under the Plan in consideration for and shall not be conditioned upon the delivery of Shares to the Company in payment of the exercise price and/or tax withholding obligation under any other employee stock option.

Section 8. *Amendment and Termination of Awards.*

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan, the following shall apply to all Awards.

- (a) Amendments to Awards. Subject to Section 7, the Committee may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue, cancel or terminate, any Award heretofore granted without the consent of any relevant Participant or holder or beneficiary of an Award. No such amendment, alteration, suspension, discontinuance, cancellation or termination may be made that would be adverse to the holder of such Award may be made without such holder's consent, provided that no such consent shall be required with respect to any amendment, alteration, suspension, discontinuance, cancellation or termination if the Committee determines in its sole discretion that such amendment, alteration, suspension, discontinuance, cancellation or termination either (i) is required or advisable in order for the Company, the Plan or the Award to satisfy or conform to any law or regulation or to meet the requirements of any accounting standard, or (ii) is not reasonably likely to significantly diminish the benefits provided under such Award, or that any such diminishment has been adequately
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compensated. Subject to the foregoing, the Committee shall not waive any condition or rights under, amend any terms or alter, suspend, discontinue, cancel or terminate any Award if such action would result in the imposition on the Award of the additional tax provided for under Section 409A of the Code.

- (b) **Adjustments of Awards Upon Certain Acquisitions.** In the event the Company or an Affiliate shall issue Substitute Awards, the Committee may make such adjustments, not inconsistent with the terms of the Plan, in the terms of Awards as it shall deem appropriate in order to achieve reasonable comparability or other equitable relationship between the assumed Awards and the Substitute Awards granted under the Plan.
- (c) No amendment, modification or termination shall accelerate the payment date of any Award constituting nonqualified deferred compensation subject to the provisions of Section 409A of the Code, except to the extent permitted under Section 409A of the Code without the imposition of the additional tax provided for under Section 409A of the Code.

Section 9. *Acceleration Upon a Change of Control.*

In the event of a Change of Control (as defined in Section 9(b) below), the following shall apply:

- (a) **Effect on Awards.** If a Participant incurs a Termination of Employment (as defined in the Pitney Bowes Senior Executive Severance Policy (as amended from time to time)), whether or not the Participant is then covered by the Pitney Bowes Senior Executive Severance Policy (as amended from time to time) within two years after a Change of Control, or if a Participant is terminated before a Change of Control at the request of a third party who has taken steps reasonably calculated to effect a Change of Control and a Change of Control subsequently occurs, then upon the later to occur of such Termination of Employment or Change of Control (such later event, the “Triggering Event”):
 - (i) **Options and SARs.** All Options and SARs outstanding on the date of such Triggering Event shall become immediately and fully exercisable without regard to any vesting schedule provided for in the Option or SAR.
 - (ii) **Restricted Stock and Restricted Stock Units.** On the date of such Triggering Event, all restrictions applicable to any Restricted Stock or Restricted Stock Unit shall terminate and be deemed to be fully satisfied for the entire stated restricted period of any such Award, and the total number of underlying Shares shall become Released Securities.
 - (iii) **Dividend Equivalents.** On the date of such Triggering Event, the holder of any outstanding Dividend Equivalent shall be entitled to surrender such Award to the Company and to receive payment of an amount equal to the amount that would have been paid over the remaining term of the Dividend Equivalent, as determined by the Committee.
 - (iv) **Other Stock-Based Awards.** On the date of such Triggering Event, all outstanding Other Stock-Based Awards of whatever type shall become immediately vested and payable in an amount that assumes that the Awards were outstanding for the entire period stated therein, as determined by the Committee.
 - (v) **Performance Awards.** On the date of such Triggering Event, Performance Awards for all performance periods, including those not yet completed, shall immediately become fully vested and payable in accordance with the following:
 - (A) The total amount of Performance Awards conditioned on nonfinancial Performance Goals shall be immediately payable (or exercisable or released, as the case may be) as if the Performance Goals had been fully achieved for the entire performance period.
 - (B) For Performance Awards conditioned on financial Performance Goals and payable in cash, the amount payable under such Award shall be the higher of (i) target performance and (ii) performance achieved through the end of the last fiscal quarter prior to the Triggering event as if satisfied for the entire performance period.
 - (vi) The Committee’s determination of amounts payable under this Section 9(a) shall be final. Except as otherwise provided in Section 9(a)(i), any amounts due under this Section 9(a) shall be paid to Participants within 30 days after such Triggering Event.
 - (vii) The provisions of this Section 9(a) shall not be applicable to any Award granted to a Participant if the Change of Control results from such Participant’s beneficial ownership (within the meaning of Rule 13d-3 under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”)) of Shares or other Company common stock or Company voting securities as a Participant in a transaction described in (b) below.
- (b) **Change of Control Defined.** Unless the Committee specifies otherwise, a “Change of Control” shall be deemed to have occurred under the terms and conditions outlined in the Pitney Bowes Senior Executive Severance Policy (as amended

from time to time). However, that, as to any Award under the Plan that consists of deferred compensation subject to Section 409A, the definition of "Change of Control" shall be deemed modified to the extent necessary to comply with Section 409A.

Section 10. *Amendment or Termination of the Plan.*

Except to the extent limited under Section 14 herein, prohibited by applicable law or otherwise expressly provided in an Award Agreement or in the Plan, the Board of Directors may amend, alter, suspend, discontinue, or terminate the Plan, including without limitation any such action to correct any defect, supply any omission or reconcile any inconsistency in the Plan, without the consent of any stockholder, Participant, other holder or beneficiary of an Award, or Person; provided that any such amendment, alteration, suspension, discontinuation, or termination that would impair the rights of any Participant, or any other holder or beneficiary of any Award heretofore granted shall not be effective without the approval of the affected Participant(s); and provided further, that, notwithstanding any other provision of the Plan or any Award Agreement, without the approval of the stockholders of the Company no such amendment, alteration, suspension, discontinuation or termination shall be made that would:

- (a) increase the total number of Shares available for Awards under the Plan, except as provided in Section 4 hereof;
- (b) reduce the price at which Options or Stock Appreciation Rights may be granted below the price provided for in Section 6(a)(i);
- (c) reduce the exercise price of outstanding Options or Stock Appreciation Rights;
- (d) extend the term of this Plan;
- (e) change the class of persons eligible to be Participants;
- (f) otherwise amend the Plan in any manner requiring stockholder approval by law or under the New York Stock Exchange listing requirements;
or
- (g) increase the individual maximum limits in Section 4.

Section 11. *General Provisions*

- (a) Conditions and Restrictions Upon Securities Subject to Awards. The Committee may provide that the Shares issued upon exercise of an Option or Stock Appreciation Right or otherwise subject to or issued under an Award shall be subject to such further agreements, restrictions, conditions or limitations as the Committee in its discretion may specify prior to the exercise of such Option or Stock Appreciation Right or the grant, vesting or settlement of such Award, including without limitation, conditions on vesting or transferability, forfeiture or repurchase provisions and method of payment for the Shares issued upon exercise, vesting or settlement of such Award (including the actual or constructive surrender of Shares already owned by the Participant) or payment of taxes arising in connection with an Award. Without limiting the foregoing, such restrictions may address the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Shares issued under an Award, including without limitation (i) restrictions under an insider trading policy or pursuant to applicable law, (ii) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and holders of other Company equity compensation arrangements, (iii) restrictions as to the use of a specified brokerage firm for such resales or other transfers and (iv) provisions requiring Shares to be sold on the open market or to the Company in order to satisfy tax withholding or other obligations.
- (b) Compliance with Laws and Regulations. This Plan, the grant, issuance, vesting, exercise and settlement of Awards thereunder, and the obligation of the Company to sell, issue or deliver Shares under such Awards, shall be subject to all applicable foreign, Federal, state and local laws, rules and regulations, stock exchange rules and regulations, and to such approvals by any governmental or regulatory agency as may be required. The Company shall not be required to register in a Participant's name or deliver any Shares prior to the completion of any registration or qualification of such shares under any foreign, Federal, state or local law or any ruling or regulation of any government body which the Committee shall determine to be necessary or advisable. To the extent the Company is unable to or the Committee deems it not appropriate or infeasible to obtain authorization from any regulatory body having jurisdiction, which authorization is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, or otherwise to satisfy the legal requirements in an applicable jurisdiction in a manner consistent with the intention of the Plan or any Award under the Plan, the Company and its Subsidiaries shall be relieved of any liability with respect to the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained. No Option or stock-settled Stock Appreciation Rights shall be exercisable and no Shares shall be issued and/or transferable under any other Award unless a registration statement with respect to the Shares underlying such Option or Stock Appreciation Rights is effective and current or the Company has determined that such registration is unnecessary.
- (c) No Rights to Awards. No Employee, Participant or other Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Employees, Participants, or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each Participant.
- (d) No Limit on Other Compensation Agreements. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements and such arrangements may be either generally applicable or applicable only in specific cases.

- (e) **No Right to Employment.** The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss a Participant from employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.
- (f) **Governing Law.** The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable Federal law.
- (g) **Severability.** If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person, or Award and the remainder of the Plan and any such Award shall remain in full force and effect.
- (h) **No Trust or Fund Created.** Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.
- (i) **No Fractional Shares.** No fractional Share shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.
- (j) **Headings.** Headings are given to the sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

Section 12. *Effective Date of the Plan.*

The Plan was approved by the Board of Directors on February 12, 2007 and shall have an effective date of May 1, 2007, subject to approval of the Plan by the stockholders of the Company at the May 2007 stockholders' meeting. Notwithstanding the foregoing, Plan provisions that contain an effective date other than May 1, 2007 shall be governed by such other effective date.

Section 13. *Term of the Plan.*

No Award shall be granted under the Plan after December 31, 2014. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee hereunder to amend, alter, adjust, suspend, discontinue, or terminate any such Award, or to waive any conditions or rights under any such Award, and the authority of the Board of Directors of the Company to amend the Plan, shall extend beyond such date.

Section 14. *Participants Subject to Sections 162(m) and 409A.*

- (a) The provisions of this Section 14 shall be applicable to all Covered Awards. Covered Awards shall be made subject to the achievement of one or more preestablished Performance Goals, in accordance with procedures to be established by the Committee from time to time. Notwithstanding any provision of the Plan to the contrary, the Committee shall not have discretion to waive or amend such Performance Goals or to increase the number of Shares subject to Covered Awards or the amount payable pursuant to Covered Awards after the Performance Goals have been established; provided, however, that the Committee may, in its sole discretion, reduce the number of Shares subject to Covered Awards or the amount which would otherwise be payable pursuant to Covered Awards; and provided, further, that the provisions of Section 8 shall override any contrary provision of this Section 14.
 - (b) No Shares shall be delivered and no payment shall be made pursuant to a Covered Award unless and until the Committee shall have certified in writing that the applicable Performance Goals have been attained.
 - (c) To the extent consistent with Section 162(m), the Committee (A) shall appropriately adjust any evaluation of performance under a Performance Goal to eliminate the effects of charges for restructurings, discontinued operations, extraordinary items and all items of gain, loss or expense determined to be extraordinary or unusual in nature or related to the disposal of a segment or a business or related to a change in accounting principle all as determined in accordance with standards established by opinion No. 30 of the Accounting Principles Board (APB Opinion No. 30) or other applicable or successor accounting provisions, as well as the cumulative effect of accounting changes, in each case as determined in accordance with generally accepted accounting principles or identified in the Company's
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financial statements, including the notes thereto, and (B) may appropriately adjust any evaluation of performance under a Performance Goal to exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation, claims, judgments or settlements, (iii) the effect of changes in tax law or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) accruals of any amounts for payment under this Plan or any other compensation arrangement maintained by the Company.

- (d) Section 409A Compliance. Awards under the Plan are intended to comply with Section 409A of the Code and all Awards shall be interpreted in accordance with such section and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the effective date of the Plan. Notwithstanding any provision of the Plan or any Award Agreement to the contrary, in the event that the Committee determines that any Award may or does not comply with Section 409A of the Code, the Company may adopt such amendments to the Plan and the affected Award (without Participant consent) or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (i) exempt any Award from the application of Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to such Award, or (ii) comply with the requirements of Section 409A of the Code. The Committee may from time to time establish procedures pursuant to which Covered Employees will be permitted or required to defer receipt of amounts payable under Awards made under the Plan; provided, however, that any such deferral shall be implemented in a manner consistent with the requirements of Section 409A of the Code, to the extent applicable.
 - (e) Notwithstanding any other provision of the Plan, for all purposes involving Covered Awards, the Committee shall consist of at least two members of the Board of Directors, each of whom is an “outside director” within the meaning of Section 162(m).
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PITNEY BOWES INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (1)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Income from continuing operations before income taxes and minority interest	\$ 239,965	\$ 220,573	\$ 471,001	\$ 433,929
Add:				
Interest expense	66,437	56,833	125,042	112,193
Portion of rents representative of the interest factor	11,845	11,769	23,338	23,450
Amortization of capitalized interest	429	243	858	486
Income as adjusted	<u>\$ 318,676</u>	<u>\$ 289,418</u>	<u>\$ 620,239</u>	<u>\$ 570,058</u>
Fixed charges:				
Interest expense	\$ 66,437	\$ 56,833	\$ 125,042	\$ 112,193
Portion of rents representative of the interest factor	11,845	11,769	23,338	23,450
Minority interest, excluding taxes, in the income of subsidiary with fixed charges	<u>7,267</u>	<u>5,748</u>	<u>14,510</u>	<u>10,117</u>
Total fixed charges	<u>\$ 85,549</u>	<u>\$ 74,350</u>	<u>\$ 162,890</u>	<u>\$ 145,760</u>
Ratio of earnings to fixed charges	<u>3.73</u>	<u>3.89</u>	<u>3.81</u>	<u>3.91</u>

- (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.

**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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly 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 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 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: August 6, 2007

/s/ Murray D. Martin

Murray D. Martin
President and Chief Executive Officer

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

I, Bruce P. Nolop, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pitney Bowes Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly 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 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 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: August 6, 2007

/s/ Bruce P. Nolop
Bruce P. Nolop
Chief Financial Officer

**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 June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Murray D. Martin, President and 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; 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
President and Chief Executive Officer
August 6, 2007

**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 June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce P. Nolop, 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; 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/ Bruce P. Nolop
Bruce P. Nolop
Chief Financial Officer
August 6, 2007
