UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549-1004
FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

OF 1934

For the year ended December 31, 1999

OR

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

For the transition period from ____________to ______________

Commission file number 1-3579

PITNEY BOWES INC.

State of Incorporation	IRS Employer Identification No.
Delaware	06-0495050

World Headquarters
Stamford, Connecticut 06926-0700
Telephone Number: (203) 356-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($1 par value)	New York Stock Exchange
$2.12 Convertible Cumulative Preference Stock (no par value)	New York Stock Exchange
Preference Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

4% Convertible Cumulative Preferred Stock ($50 par value)

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, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of voting stock (common stock and $2.12 preference stock) held by non-affiliates of the Registrant as of March 10, 2000 is $12,126,751,929.

Number of shares of common stock, $1 par value, outstanding as of March 10, 2000 is 262,192,195.

DOCUMENTS INCORPORATED BY REFERENCE:

1. Only the following portions of the Pitney Bowes Inc. 1999 Annual Report to Stockholders are incorporated by reference into Parts I, II and IV of this Form 10-K Annual Report:

   (a) Financial Statements, pages 48 to 69.

   (b) Management's Discussion and Analysis of Financial Condition and Results of Operations and Summary of Selected Financial Data on pages 37 to 47, excluding the information on page 46 relating to Dividend Policy.

   (c) Stock Exchanges and Stock Information, on page 70.

2. Pitney Bowes Inc. Notice of the 2000 Annual Meeting and Proxy Statement dated March 31, 2000, pages 4 to 7, 10 to 13 and 17 and portions of pages 3, 9, 14, 16 and 18 are incorporated by reference into Part III of this Form 10-K Annual Report.

PART I

Item 1. Business

Pitney Bowes Inc. and its subsidiaries (the company) operate in three reportable segments: Mailing and Integrated Logistics, Office Solutions and Capital Services. The company operates in the United States and outside the U.S. Financial information concerning revenue, operating profit and identifiable assets by reportable segment and geographic area appears on pages 65 to 67 of the Pitney Bowes Inc. 1999 Annual Report to Stockholders and is incorporated herein by reference.

Mailing and Integrated Logistics. Mailing and Integrated Logistics includes revenues from the rental of postage meters and the sale and financing of mailing equipment, including software-based mail creation and mail finishing equipment, production mail systems including customized software applications, software-based shipping, transportation and logistics systems, and related supplies and services. Products are sold, rented or financed by the company, while supplies and services are sold. Some of the company's products are sold through dealers outside the U.S.

Products include postage meters, mailing machines, address hygiene software, manifest systems, letter and parcel scales, mail openers, mailroom furniture, folders, and paper handling and shipping equipment.

Office Solutions. Office Solutions includes revenues from the sale, financing, rental and service of reprographic and facsimile equipment including related supplies, and facilities management services which provides mail processing, reprographic business support and document resource planning functions. Products are sold, rented or financed by the company, while supplies and services are sold.

Facilities management services are provided by the company's Pitney Bowes Management Services, Inc. subsidiary (P.B.M.S.). P.B.M.S. provides customers with a variety of business support services to manage copy, reprographic and mail centers, facsimile, electronic printing and imaging services, and records management. P.B.M.S. is a major provider of on- and off-site services which help customers manage the creation, processing, storage, retrieval, distribution and tracking of documents and messages in both paper and digital form.

The financial services operations provide lease financing for the company's products (for both the Mailing and Integrated Logistics and Office Solutions segments) in the U.S., Canada, the United Kingdom, Germany, France, Norway, Ireland, Australia, Austria, Spain, Switzerland and Sweden. Consolidated financial services operations financed 36 percent of

consolidated sales in 1999, 38 percent in 1998, and 36 percent in 1997. Consolidated financial services operations financed approximately 76 percent, 77 percent and 77 percent of leasable sales in 1999, 1998 and 1997, respectively.

Capital Services. Capital Services provides large-ticket financing and fee-based programs covering a broad range of products and other financial services to the commercial and industrial markets in North America.

Products financed include both commercial and non-commercial aircraft, over-the-road trucks and trailers, locomotives, railcars, rail and bus facilities and high-technology equipment such as data processing and communications equipment. The finance operations have also participated, on a select basis, in certain other types of financial transactions including: sales of lease transactions, senior secured loans in connection with acquisitions, leveraged buyout and recapitalization financings and certain project financings.

Discontinued Operations. On January 14, 2000, the company sold its mortgage servicing business, Atlantic Mortgage & Investment Corporation (AMIC), a wholly-owned subsidiary of the company to ABN AMRO North America. The company received approximately $484 million in cash at closing. Accordingly, operating results of AMIC have been segregated and reported as discontinued operations in the Consolidated Statements of Income. Prior year results have been reclassified to conform to the current year presentation. In connection with the sale, the company recorded a loss of approximately $27.6 million (net of taxes of $18.4 million) for the year ended December 31, 1999. The transaction is subject to post-closing adjustments.

As part of the company's strategy to reduce the capital committed to asset-based financing, while increasing fee-based income, in 1998 the company sold its broker-oriented small-ticket leasing business to General Electric Capital Corporation (GECC), a subsidiary of General Electric Company. As part of the sale, the operations, employees and substantially all the assets of Colonial Pacific Leasing Corporation (CPLC) were transferred to GECC. The company received $790 million at closing, which approximates the book value of the net assets sold or otherwise disposed of and related transaction costs. Accordingly, operating results of CPLC have been segregated and reported as discontinued operations in the Consolidated Statements of Income. Prior year results have been reclassified to conform to the current year presentation. In connection with this transaction, the company recorded a gain of approximately $3.7 million (net of taxes of $2.0 million) for the year ended December 31, 1999. This gain resulted from the settlement of post-closing adjustments in 1999 related to the sale, offset by the cost of settlement with regard to a dispute with GECC over certain assets that were included in the sale.

Support Services. The company maintains extensive field service organizations in the U.S. and certain other countries to provide support services to customers who have rented, leased or purchased equipment. Such support services, provided primarily on the basis of annual maintenance contracts, accounted for approximately 13 percent of revenue in 1999, 1998 and 1997.

Marketing. The company's products and services are marketed through an extensive network of offices in the U.S. and through a number of subsidiaries and independent distributors and dealers in many countries throughout the world as well as through direct marketing, outbound telemarketing, and the Internet. The company sells to a variety of business, governmental, institutional and other organizations. It has a broad base of customers, and is not dependent upon any one customer or type of customer for a significant part of its business. The company does not have significant backlog or seasonality relating to its businesses.

Operations Outside the United States. The company's manufacturing operations outside the U.S. are in the United Kingdom.

Competition. The company has historically been a leading supplier of certain products and services in its business segments, particularly postage meters and mailing machines.

However, all of its segments have strong competition from a number of companies. In particular, the company is facing competition in many countries for new placements from several postage meter and mailing machine suppliers, and its mailing systems products face competition from products and services offered as alternative means of message communications. P.B.M.S., a major provider of business support services to the corporate, financial services, and professional services markets, competes against national, regional and local firms specializing in facilities management. The company believes that its long experience and reputation for product quality, and its sales and support service organizations are important factors in influencing customer choices with respect to its products and services.

The financing business is highly competitive with aggressive rate competition. Leasing companies, commercial finance companies, commercial banks and other financial institutions compete, in varying degrees, in the several markets in which the finance operations do business and range from very large, diversified financial institutions to many small, specialized firms. In view of the market fragmentation and absence of any dominant competitors which result from such competition, it is not possible to provide a meaningful description of the finance operations' competitive position in these markets.

Research and Development/Patents. The company has research and development programs that are directed towards developing new products and service methods. Expenditures on research and development totaled $108.9 million, $100.8 million, and $89.5 million in 1999, 1998 and 1997, respectively.

As a result of its research and development efforts, the company has been awarded a number of patents with respect to several of its existing and planned products. However, the company believes its businesses are not materially dependent on any one patent or any group of related patents. The company also believes its businesses are not materially dependent on any one license or any group of related licenses.

Material Supplies. The company believes it has adequate sources for most parts and materials for the products it manufactures. However, products manufactured by the company rely to an increasing extent on microelectronic components, and temporary shortages of these components have occurred from time to time due to the demands by many users of such components.

The company purchases copiers, facsimile equipment and scales primarily from Japanese suppliers. The company believes that it has adequate sources available to it for the foreseeable future for such products.

Environmental Regulation. The company is subject to federal, state and local

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laws and regulations relating to the environment and is currently named as a member of various groups of potentially responsible parties in administrative or court proceedings. As we previously announced, in 1996 the Environmental Protection Agency (EPA) issued an administrative order directing the company to be part of a soil cleanup program at the Sarney Farm site in Amenia, New York. The site was operated as a landfill between the years 1968 and 1970 by parties unrelated to the company, and wastes from a number of industrial sources were disposed there. The company does not concede liability for the condition of the site, but is working with the EPA to identify, and then seek reimbursement from, other potentially responsible parties. Based on the facts presently known, we estimate the total cost of our remediation effort to be approximately $5 million. This amount has been recorded as a liability in the Consolidated Balance Sheet at December 31, 1999.

The administrative and court proceedings referred to above are in different states. It is difficult to estimate with any certainty the total cost of remediating, the timing or extent of remedial actions which may be required by governmental authorities. However, the company believes that the outcome of any current proceeding will not have a material adverse effect on its financial condition or results of operations.

Regulatory Matters. In January 2000, the U.S. Postal Service (U.S.P.S.) issued a
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proposed schedule for the phaseout of manually reset electronic meters in the U.S. as follows:

- As of February 1, 2000, new placements of manually reset electronic meters are no longer permitted. Current users of manually reset electronic meters can continue to use these meters for the term of their current rental and lease agreements.

Based on the proposed schedule, the company believes that the phaseout of manually reset electronic meters will not cause a material adverse financial impact on the company.

As a result of the company's aggressive efforts to meet the U.S.P.S mechanical meter migration phaseout schedule combined with the company's ongoing and continuing investment in advanced postage evidencing technologies, mechanical meters represented less than 1% of the company's installed U.S. meter base at December 31, 1999, compared with 10% at December 31, 1998. At December 31, 1999, over 99% of the company's installed U.S. meter base was electronic or digital, compared with 90% at December 31, 1998. The company continues to work in close cooperation with the U.S.P.S. to convert those mechanical meter customers who have not migrated to digital or electronic meters.

In May 1995, the U.S.P.S. publicly announced its concept of its Information Based Indicia Program (IBIP) for future postage evidencing devices. As initially stated by the U.S.P.S., the purpose of the program was to develop a new standard for future digital postage evidencing devices which significantly enhanced postal revenue security and supported expanded U.S.P.S. value-added services to mailers. The program would consist of the development of four separate specifications:

- the Indicium specification - the technical specifications for the indicium to be printed

- a Postal Security Device specification - the technical specification for the device that would contain the accounting and security features of the system

- a Host specification

- a Vendor Infrastructure specification

During the period from May 1995 through December 31, 1999, the company has submitted extensive comments to a series of proposed IBIP specifications issued by the U.S.P.S. In July 1999, the U.S.P.S. issued the latest set of proposed specifications, entitled "Performance Criteria for Information Based Indicia and Security Architecture for Open IBI Postage Evidencing Systems" (the IBI Performance Criteria). The company has submitted comments to the IBI Performance Criteria.

As of December 31, 1999, the company was in the process of finalizing the development of both PC and Internet versions of a product which satisfy the proposed IBI Performance Criteria. In March 2000, the company received approval from the U.S.P.S. for the commercial launch of the Internet version of this product, ClickStampTM Online. The PC version of this product is currently in the final phase of beta testing and is expected to be ready for market upon final approval from the U.S.P.S.

In June 1999, the company was served with a Civil Investigative Demand (CID) from the U.S. Justice Department's Antitrust Division. A CID is a tool used by the Antitrust Division for gathering information and documents. The company believes that the Justice Department may be reviewing the company's efforts to protect its intellectual property rights. The company believes it has complied fully with the antitrust laws and is cooperating fully with the department's investigation.

Employee Relations. At December 31, 1999, 25,792 persons were employed by the company in the U.S. and 4,836 outside the U.S. Employee relations are considered to be satisfactory. The majority of employees are not represented by any labor union. Management follows the

policy of keeping employees informed of its decisions, and encourages and implements employee suggestions whenever practicable.

Item 2. Properties

The company's World Headquarters and certain other office and manufacturing facilities are located in Stamford, Connecticut. Additional office facilities are located in Shelton, Connecticut. The company maintains research and development operations at a corporate engineering and technology center in Shelton, Connecticut. A sales and service training center is located near Atlanta, Georgia. The company believes that its current manufacturing, administrative and sales office properties are adequate for the needs of all of its operations.

Mailing and Integrated Logistics. Mailing and Integrated Logistics products are manufactured in a number of plants principally in Connecticut, as well as in Harlow, England. Most of these facilities are owned by the company. At December 31, 1999, there were 135 sales, support services, and finance offices, substantially all of which are leased, located throughout the U.S. and in a number of other countries.

Office Solutions. The company's copier and facsimile systems businesses are both headquartered in Trumbull, Connecticut. The company's facilities management services subsidiary is headquartered in Stamford, Connecticut and leases 31 facilities located throughout the U.S., and a facility in Toronto, Ontario, Canada, and London, England.

Executive and administrative offices of the financing operations (for both the Mailing and Integrated Logistics and Office Solutions segments) within the U.S.

are located in Shelton, Connecticut. Offices of the financing operations outside the U.S. are maintained in Mississauga, Ontario, Canada; London, England; Heppenheim, Germany; Paris, France; Oslo, Norway; Dublin, Ireland; French's Forest, Australia; Vienna, Austria; Effretikon, Switzerland; and Stockholm, Sweden.

Capital Services. Pitney Bowes Credit Corporation (PBCC) leases an executive and administrative office in Shelton, Connecticut, which is owned by Pitney Bowes Inc. There are eight leased regional and district sales offices located throughout the U.S.

Item 3. Legal Proceedings

In the course of normal business, the company is occasionally party to lawsuits. These may involve litigation by or against the company relating to, among other things:

- contractual rights under vendor, insurance or other contracts
- intellectual property or patent rights
- equipment, service or payment disputes with customers
- disputes with employees

The company is currently a plaintiff or a defendant in a number of lawsuits, none of which should have, in the opinion of management and legal counsel, a material adverse effect on the company's financial position or results of operations.

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

None.

Executive Officers of the Registrant

Name	Age	Title	Executive Officer Since
Michael J. Critelli	51	Chairman and Chief Executive Officer	1988
Marc C. Breslawsky	57	President and Chief Operating Officer	1985
Gregory E. Buoncontri	52	Vice President and Chief Information Officer	2000
Amy C. Corn	46	Corporate Secretary and Senior Associate General Counsel	1996
Meredith B. Fischer	47	Vice President, Corporate Marketing and Chief Communications Officer	1996
Karen M. Garrison	51	President, Pitney Bowes Business Services	1999
Mary Jo Green	51	Vice President and Treasurer	1999
Suzanne N. Grey	49	Vice President, Strategy Planning and New Business Development	1999
Arlen F. Henock	43	Vice President - Controller and Chief Tax Counsel	1996
Luis A. Jimenez	55	Vice President, Global Growth and Futures Strategy	1999
Matthew S. Kissner	45	President, Pitney Bowes Office Direct and Financial Solutions	1997
Murray D. Martin	52	President, Pitney Bowes International	1998
John N. D. Moody	55	President, U.S. Mailing Systems	1997

Sara E. Moss	53	Vice President and General Counsel	1996
Bruce P. Nolop	49	Vice President and Chief Financial Officer	2000
Fred M. Purdue	53	Vice President and General Manager, Business Reengineering	1999
Murray L. Reichenstein	62	Vice President, E-Business and Chief Development Officer	1996
Douglas A. Riggs (Retiring 3/31/00)	55	Vice President and Chief Corporate Affairs Officer	1988
Dennis M. Roney	57	President, Pitney Bowes Office Systems	1998
Kathleen E. Synnott	46	Vice President and General Manager, Customer Relationship Management	1999
Johnna G. Torsone	49	Vice President and Chief Personnel Officer	1993
Joseph E. Wall	48	Vice President and Chief Technology Officer	1996

There is no family relationship among the above officers, all of which have served in various corporate, division or subsidiary positions with the company for at least the past five years except G.E. Buoncontri, L.A. Jimenez, M.S. Kissner, S.E. Moss, B.P. Nolop, M.L. Reichenstein and J.E. Wall.

Mr. Buoncontri was formerly the Vice President, Information Technology and Chief Information Officer of Novartis Pharmaceuticals Corp. (merger of Sandoz and Ciba Geigy). Prior to the merger, he also served as the Vice President, Information Systems and Chief Information Officer for Sandoz Pharmaceuticals Company. Mr. Buoncontri also served as Vice President, Information Management Services and Chief Information Officer of Asea Brown Boveri, Inc.

Mr. Jimenez joined the company from Arthur D. Little, an international management consulting company, with over 25 years of experience. Mr. Jimenez was appointed worldwide practice leader for postal organizations in 1990, Corporate Vice President in 1991, and served most recently on the firm's global board for telecommunications and media and as Manager of the Latin American practice.

Mr. Kissner, who was President, Pitney Bowes Credit Corporation since 1995, joined the company from Bankers Trust Company where he had been Managing Director since 1993. Mr. Kissner was also President, Pitney Bowes Financial Services since 1997 before assuming his duties as President, Pitney Bowes Office Direct and Financial Solutions.

Ms. Moss joined the company from the New York law firm of Howard, Darby & Levin, where she had been a Senior Partner since 1985. Before joining Howard, Darby & Levin, Ms. Moss was an Assistant United States Attorney in the Southern District of New York. Ms. Moss served as a law clerk for the Honorable Constance Baker Motley, United States District Judge, Southern District of New York.

Mr. Nolop joined the company from Wasserstein Perella & Co., an investment bank and one of Pitney Bowes' financial advisors, where he had served as managing director since 1993. Prior to joining Wasserstein Perella & Co., Mr. Nolop held senior positions with Goldman Sachs & Co., Kimberly-Clark Corporation and Morgan Stanley & Co.

Mr. Reichenstein, who was previously Vice President and Chief Financial Officer of Pitney Bowes Inc. since 1996, joined the company with over 31 years of experience with Ford Motor Company. During his time with Ford, Mr. Reichenstein held a variety of positions of increasing responsibility in the U.S. and Europe, including Director of Manufacturing Services, Vice President, Car Product Planning, and Chief Financial Officer, Ford Europe; Vice President & Controller of Ford Automotive Operations Worldwide; and Vice President & Controller of Ford Motor Company.

Dr. Wall was most recently Vice President - Technology of Emerson Electric, which he joined in 1986 as Director of Research and Development for its since-divested Rosemount Aerospace Division. Prior to joining Emerson, Dr. Wall held positions of increasing responsibility at Honeywell, including Section Chief and Senior Principal Research Engineer.

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholders' Matters

The sections entitled "Stock Exchanges" and "Stock Information" on page 70 of the Pitney Bowes Inc. 1999 Annual Report to Stockholders are incorporated herein by reference. At December 31, 1999, the company had 32,754 common stockholders of record.

Item 6. Selected Financial Data

The section entitled "Summary of Selected Financial Data" on page 47 of the Pitney Bowes Inc. 1999 Annual Report to Stockholders is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 37 to 46 of the Pitney Bowes Inc. 1999 Annual Report to Stockholders is incorporated herein by reference, except for the section on page 46 relating to "Dividend Policy".

The section under "Legal, Environmental and Regulatory Matters" titled "Regulation" on page 45 of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" incorporated herein by reference as mentioned above should be read in conjunction with the discussion under "Regulatory Matters" in Part I, Item 1 on page 5 of this Annual Report on Form 10-K.

The company wants to caution readers that any forward-looking statements (those which talk about the company's or management's current expectations as to the future) in this Form 10-K or made by company management involve risks and uncertainties which may change based on various important factors. Words such as "estimate", "project", "plan", "believe", "expect" 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 behalf of the company include:

- 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
- changes in interest rates

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The section entitled "Market Risk" on page 44 of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated January 20, 2000, appearing on pages 48 to 69 of the Pitney Bowes Inc. 1999 Annual Report to Stockholders are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Except for information regarding the company's executive officers (see "Executive Officers of the Registrant" on page 7 of this Form 10-K), the information called for by this Item is incorporated herein by reference to the sections entitled "Election of Directors", "How much stock is owned by directors, nominees and executive officers?" and "Security Ownership" on pages 6 to 7 and 3 to 4 of the Pitney Bowes Inc. Notice of the 2000 Annual Meeting and Proxy Statement.

Item 11. Executive Compensation

The sections entitled "Directors' Compensation", "Executive Officer Compensation", "Severance and Change of Control Arrangements" and "Pension Benefits" on pages 9 to 14, and 16 to 18 of the Pitney Bowes Inc. Notice of the 2000 Annual Meeting and Proxy Statement are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The section entitled "How much stock is owned by directors, nominees and executive officers?" and "Security Ownership" on pages 3 to 4 of the Pitney Bowes Inc. Notice of the 2000 Annual Meeting and Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

None.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1. Financial statements - see Item 8 on page 9 and "Index to Financial Schedules" on page 17.

2. Financial statement schedules - see "Index to Financial Schedules" on page 17.

3. Exhibits (numbered in accordance with Item 601 of Regulation S-K).

Reg. S-K Exhibits	Description	Status or Incorporation by Reference
(3)(a)	Restated Certificate of Incorporation, as amended	Incorporated by reference to Exhibit (3a) to Form 10-K as filed with the Commission on March 30, 1993 (Commission file number 1-3579)
(a.1)	Certificate of Amendment to the Restated Certificate of Incorporation (as amended May 29, 1996)	Incorporated by reference to Exhibit (a.1) to Form 10-K as filed with the Commission on March 27, 1998. (Commission file number 1-3579)
(b)	By-laws, as amended	Incorporated by reference to Exhibit (3b) to Form 10-K as filed with the Commission on April 1, 1996. (Commission file number 1-3579)
(c)	By-laws, as amended	Incorporated by reference to Exhibit (3)(ii) to Form 10-Q as filed with the Commission on November 16, 1998. (Commission file number 1-3579)
(4)(a)	Form of Indenture dated as of November 15, 1987 between the company and Chemical Bank, as Trustee	Incorporated by reference to Exhibit (4a) to Form 10-K as filed with the Commission on March 24, 1988. (Commission file number 1-3579)
(b)	Form of Debt Securities	Incorporated by reference to Exhibit (4b) to Form 10-K as filed with the Commission on March 24, 1988. (Commission file number 1-3579)
(c)	Form of First Supplemental Indenture dated as of June 1, 1989 between the company and Chemical Bank, as Trustee	Incorporated by reference to Exhibit (1) to Form 8-K as filed with the Commission on June 16, 1989. (Commission file number 1-3579)
(d)	Form of Indenture dated as of April 15, 1990 between the company and Chemical Bank, as successor to Manufacturers Hanover Trust Company, as Trustee	Incorporated by reference to Exhibit (4.1) to Registration Statement on Form S-3 (No. 33-33948) as filed with the Commission on March 28, 1990.
(e)	Forms of Debt Securities	Incorporated by reference to Exhibit (4) to Form 10-Q as filed with the Commission on May 14, 1990. (Commission file number 1-3579)

(f)	Form of Indenture dated as of May 1, 1985 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4a) to Registration Statement on Form S-3 (No. 2-97411) as filed with the Commission on May 1, 1985.
(g)	Letter Agreement between Pitney Bowes Inc. and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4b) to Registration Statement on Form S-3 (No. 2-97411) as filed with the Commission on May 1, 1985.
(h)	Form of First Supplemental Indenture dated as of December 1, 1986 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4b) to Registration Statement on Form S-3 (No. 33-10766) as filed with the Commission on December 12, 1986.
(i)	Form of Second Supplemental Indenture dated as of February 15, 1989 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4c) to Registration Statement on Form S-3 (No. 33-27244) as filed with the Commission on February 24, 1989.
(j)	Form of Third Supplemental Indenture dated as of May 1, 1989 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (1) to Form 8-K as filed with the Commission on May 16, 1989. (Commission file number 1-3579)
(k)	Indenture dated as of November 1, 1995 between the company and Chemical Bank, as Trustee	Incorporated by reference to Exhibit (4a) to Amendment No. 1 to Registration Statement on Form S-3 (No. 33-62485) as filed with the Commission on November 2, 1995.
(l)	Preference Share Purchase Rights Agreement dated December 11, 1995 between the company and Chemical Mellon Shareholder Services, LLC., as Rights Agent, as amended	Incorporated by reference to Exhibit (4) to Form 8-K as filed with the Commission on March 13, 1996. (Commission file number 1-3579)

The company has outstanding certain other long-term indebtedness. Such long-term indebtedness does not exceed 10% of the total assets of the company; therefore, copies of instruments defining the rights of holders of such indebtedness are not included as exhibits. The company agrees to furnish copies of such instruments to the Securities and Exchange Commission upon request.

Executive Compensation Plans:
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(10)(a)	Retirement Plan for Directors of Pitney Bowes Inc.	Incorporated by reference to Exhibit (10a) to Form 10-K as filed with the Commission on March 30, 1993. (Commission file number 1-3579)
(b)	Pitney Bowes Inc. Directors' Stock Plan (as amended and restated 1997)	Incorporated by reference to Exhibit (i) to Form 10-K as filed with the Commission on March 31, 1997. (Commission file number 1-3579)
(b.1)	Pitney Bowes Inc. Directors' Stock Plan (as amended and restated 1999)	Exhibit (i)
(c)	Pitney Bowes 1991 Stock Plan	Incorporated by reference to Exhibit (10b) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)
(c.1)	First Amendment to Pitney Bowes 1991 Stock Plan	Incorporated by reference to Exhibit (ii) to Form 10-K as filed

		with the Commission on March 31, 1997. (Commission file 1-3579)
(c.2)	Second Amendment to Pitney Bowes 1991 Stock Plan	Incorporated by reference to Exhibit (i) to Form 10-Q as filed with the Commission on November 13, 1997. (Commission file number 1-3579)
(c.3)	Pitney Bowes 1991 Stock Plan (as amended and restated)	Incorporated by reference to Exhibit (10) to Form 10-Q as filed with the Commission on May 14, 1998. (Commission file number 1-3579)
(c.4)	Pitney Bowes 1998 Stock Plan (as amended and restated)	Exhibit (ii)
(d)	Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and restated)	Incorporated by reference to Exhibit (10c) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)
(d.1)	First Amendment to Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and restated June 10, 1991)	Incorporated by reference to Exhibit (iii) to Form 10-K as filed with the Commission on March 31, 1997. (Commission file number 1-3579)
(e)	1979 Pitney Bowes Stock Option Plan (as amended and restated)	Incorporated by reference to Exhibit (10d) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)
(f)	Pitney Bowes Severance Plan, as amended, dated December 12, 1988	Incorporated by reference to Exhibit (10) to Form 10-K as filed with the Commission on March 23, 1989. (Commission file number 1-3579)
(g)	Pitney Bowes Executive Severance Policy, adopted December 11, 1995	Incorporated by reference to Exhibit (10h) to Form 10-K as filed with the Commission on April 1, 1996. (Commission file number 1-3579)

(h)	Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors	Incorporated by reference to Exhibit (i) to Form 10-Q as filed with the Commission on May 15, 1997. (Commission file number 1-3579)
(h.1)	Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors (as amended and restated 1999)	Exhibit (iii)
(i)	Pitney Bowes Inc. Deferred Incentive Savings Plan	Incorporated by reference to Exhibit (v) to Form 10-K as

		filed with the Commission on March 31, 1997. (Commission file number 1-3579)
(j)	Pitney Bowes U.K. Stock Option Plan (as amended and restated 1999)	Exhibit (iv)
(12)	Computation of ratio of earnings to fixed charges	Exhibit (v)
(13)	Portions of annual report to security holders	Exhibit (vi)
(21)	Subsidiaries of the registrant	Exhibit (vii)
(23)	Consent of experts and counsel	Exhibit (viii)
(27)	Financial Data Schedule	Exhibit (ix)

(b) On January 31, 2000, the company filed a current report on Form 8-K pursuant to Item 5 thereof, reporting the Press Release dated January 27, 2000.

On December 10, 1999, the company filed a current report on Form 8-K pursuant to Item 5 thereof, reporting the restated financial statements (Form 10-K for the year ended December 31, 1998 and Form 10-Q for the quarter ended March 31, 1999 reflecting Atlantic Mortgage & Investment Corporation (AMIC) as a discontinued operation).

On November 24, 1999, the company filed a current report on Form 8-K pursuant to Item 5 thereof, reporting the Press Release dated November 19, 1999.

On October 22, 1999, the company filed a current report on Form 8-K pursuant to Item 5 thereof, reporting the Press Release dated October 19, 1999.

On November 22, 1999, PBCC filed a current report on Form 8-K pursuant to Item 5 thereof, reporting a definitive agreement between PBCC and ABN AMRO North America, a subsidiary of ABN AMRO Bank N.V., for the sale of AMIC dated November 19, 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By /s/ Michael J. Critelli

(Michael J. Critelli)
Chairman and Chief
Executive Officer

Date March 30, 2000

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael J. Critelli Michael J. Critelli	Chairman and Chief Executive Officer - Director	March 30, 2000
/s/ Marc C. Breslawsky Marc C. Breslawsky	President and Chief Operating Officer - Director	March 30, 2000
/s/ Bruce P. Nolop Bruce P. Nolop	Vice President and Chief Financial Officer (principal financial officer)	March 30, 2000
/s/ Arlen F. Henock Arlen F. Henock	Vice President - Controller and Chief Tax Counsel (principal accounting officer)	March 30, 2000
/s/ Linda G. Alvarado Linda G. Alvarado	Director	March 30, 2000
/s/ William E. Butler William E. Butler	Director	March 30, 2000
/s/ Colin G. Campbell Colin G. Campbell	Director	March 30, 2000
/s/ Jessica P. Einhorn Jessica P. Einhorn	Director	March 30, 2000
/s/ Ernie Green Ernie Green	Director	March 30, 2000
/s/ Herbert L. Henkel Herbert L. Henkel	Director	March 30, 2000

/s/ James H. Keyes	Director	March 30, 2000
James H. Keyes		
/s/ Michael I. Roth	Director	March 30, 2000
Michael I. Roth		
/s/ Phyllis S. Sewell	Director	March 30, 2000
Phyllis S. Sewell		

INDEX TO FINANCIAL SCHEDULES

The financial schedules should be read in conjunction with the financial statements in the Pitney Bowes Inc. 1999 Annual Report to Stockholders. Schedules not included herein have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto. Also, separate financial statements of less than 100 percent owned companies, which are accounted for by the equity method, have been omitted because they do not constitute significant subsidiaries.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of Pitney Bowes Inc.:

Our audits of the consolidated financial statements referred to in our report dated January 20, 2000 appearing on page 69 of the Pitney Bowes Inc. 1999 Annual Report to Stockholders (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14(a)2 of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Stamford, Connecticut
January 20, 2000

PITNEY BOWES INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

FOR THE YEARS ENDED DECEMBER 31, 1997 TO 1999

(Dollars in thousands)

Description	Balance at Beginning of year	Additions charged to costs and expenses	Deductions		Balance at end of year
Allowance for doubtful accounts					
1999	$24,665	$8,668	$4,617	(1)	$28,716
1998	$21,129	$9,872	$6,336	(1)	$24,665
1997	$16,160	$9,269	$4,300	(1)	$21,129
Allowance for credit losses on finance receivables					
1999	$130,775	$67,257	$93,311	(1)(2)	$104,721
1998	$132,308	$73,142	$74,675	(1)(2)	$130,775
1997	$113,737	$85,628	$67,057	(1)	$132,308
Valuation allowance for deferred tax asset (3)					
1999	$39,872	$ 586	$5,015		$35,443
1998	$41,301	$2,189	$3,618		$39,872
1997	$46,601	$1,233	$6,533		$41,301

(1) Principally uncollectible accounts written off.
(2) Amounts include the write-off of finance receivables retained in connection with the disposal of our small-ticket external leasing business against previously estabished allowance for credit losses recorded at the time of disposal of this business in 1998.
(3) Included in balance sheet as a liability.

EXHIBIT (i)

PITNEY BOWES INC. DIRECTORS' STOCK PLAN

Amended and Restated Effective as of October 11, 1999

PITNEY BOWES INC. DIRECTORS' STOCK PLAN
Amended and Restated Effective as of October 11, 1999

1. PURPOSE AND EFFECTIVE DATE OF PLAN: This Plan shall be known as the Pitney Bowes Inc. Directors' Stock Plan. The purpose of the Plan is to enable Pitney Bowes Inc. (the "Company") to attract and retain persons of outstanding competence to serve as non-employee directors of the Company by paying such persons a portion of their compensation in stock of the Company pursuant to the terms of the Plan. The Plan became effective on the date the Plan was initially approved by the stockholders of the Company. The Plan may be amended from time to time and was amended and restated effective as of October 11, 1999.

2. STOCK AVAILABLE FOR THE PLAN: An aggregate of 400,000 shares of Common Stock, $1 par value per share, of the Company ("Common Stock"), after giving effect to the stock dividend in 1998, shall be available for issuance pursuant to the provisions of the Plan. Such shares shall be authorized and unissued shares or shares which have been reacquired by the Company.

3. ELIGIBILITY FOR PARTICIPATION IN PLAN: Persons who serve as directors of the Company and who are not "employees" of the Company or its subsidiaries within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") shall be considered "Eligible Directors" for purposes of the Plan. It is intended that all Eligible Directors participate in the Plan.

4. AWARDS OF RESTRICTED STOCK: Each Eligible Director then serving as a director of the Company shall receive an annual award of 1400 restricted shares of Common Stock on the date of the first meeting of directors after each annual stockholders' meeting; provided, however, that an Eligible Director who joins the Board after such date shall receive a partial award of restricted shares of Common Stock that is prorated by multiplying 1400 by a fraction the numerator of which is the number of days remaining in the 12 month period beginning on the date following the annual stockholders' meeting and the denominator of which is 365. Fractional shares shall not be issued to Eligible Directors. A whole number of shares shall be determined by rounding each fractional share to the next highest whole number.

5. TRANSFER RESTRICTIONS, REMOVAL OF RESTRICTIONS, TERMS AND CONDITIONS AND INTER VIVOS TRANSFERS OF AWARDS OF RESTRICTED STOCK:

(a) Each participant or transferee pursuant to Section 5(d) hereof shall have the right to receive all dividends and other distributions made with respect to the shares registered in his or her name and shall have the right to vote or execute proxies with respect to such registered shares. The Company may elect to record the ownership of the shares in book entry form or issue certificates representing the shares. The Company may elect to have the Treasurer of the Company retain possession of the certificates of restricted shares for the benefit of Eligible

Directors, until the provisions of the Plan relating to removal of the restrictions have been satisfied.

(b) Subject to Section 5 (d) of the Plan, shares of restricted stock may not be sold, assigned, pledged or otherwise transferred by the Eligible Director unless and until all of the transfer restrictions imposed by this Plan have been removed pursuant to the provisions of the Plan.

(c) Subject to Section 5(d) of the Plan, awarded shares shall remain subject to the Plan's restrictions prohibiting sale or transfer of such shares as set forth in Section 5(b) hereof until the later of (i) the termination of the Eligible Director's service as a director of the Company and (ii) the day following the end of the six (6) month period beginning on the date of the award of such restricted shares; provided, however, all restrictions imposed under the Plan on such shares shall lapse upon the occurrence of a "Change of Control" (as defined below). Notwithstanding any other provision of this Plan, the issuance or delivery of any shares may be postponed for such period as may be required to comply with any applicable requirements of any national securities exchange or any requirements under any other law or regulation applicable to the issuance or delivery of such shares, and the Company shall not be obligated to issue or deliver any such shares if the issuance or delivery thereof shall constitute a violation of any provision of any law or of any regulation of any governmental authority or any national securities exchange.

(d) If, pursuant to the Pitney Bowes Inc. Directors' Stock Ownership Policy, an Eligible Director is considered to own shares of Common Stock having a Fair Market Value of at least $350,000, such Eligible Director may during his or her lifetime transfer to a Family Member, Family Entity or Charitable Organization whole shares of Common Stock originally acquired under the Plan having a Fair Market Value up to, but not greater than, the Fair Market Value of the Eligible Director's Common Stock holdings in excess of $350,000, rounded up or down, as the case may be, to prevent the transfer of fractional shares; provided, that each of the following conditions is met.

(1) Immediately before and after the date of transfer, the Eligible Director is considered to have attained the minimum level of stock ownership under the Pitney Bowes Inc. Directors' Stock Ownership Policy based on the Fair Market Value as of the date of transfer;

(2) A Family Member and Family Entity shall not be permitted to further transfer restricted shares until the restrictions set forth in Section 5(c) of the Plan have lapsed; provided, however, that a Charitable Organization may transfer restricted shares upon the Eligible Director's completion of six months of service with the Company following the date on which the restricted shares were granted without regard to the Eligible Director's termination of service from the Company;

(3) Eligible Directors must comply with applicable securities laws and regulations with respect to transfers made hereunder; and

(4) Transfers under this Section 5(d) must meet all of the requirements under applicable provisions of the Internal Revenue Code to be considered "gift" transfers or charitable contributions, as the case may be.

(5) For purposes of the Plan, the following definitions shall apply:

(A) Family Member means the Eligible Director'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, sister-in-law, brother-in-law, nephew, niece (including by adoption) and any person sharing the Eligible Director's household (other than a tenant or employee);

(B) Family Entity means any trust in which the Eligible Director has more than a 50% beneficial interest and any entity in which the Eligible Director and/or a Family Member owns more than a 50% of the voting interests; and

(C) Charitable Organization means any not-for-profit entity recognized as such under the Internal Revenue Code of 1986, as amended.

6. STOCK OPTIONS. Each Eligible Director who elects to defer cash compensation for serving as director in accordance with the terms of the Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors (the "Directors' Deferral Plan"), and who selects the Pitney Bowes Stock Option return on such deferred amount, shall be granted a stock option under the terms of this Section 6 (an"Option").

(a) Each Option shall represent the right to purchase a number of shares of Common Stock and the number of Options granted with respect to the deferred amount shall be determined by (i) dividing the deferred amount by the per share Fair Market Value, as hereinafter defined, of the Common Stock on the date the deferred compensation would otherwise have been paid (the "Date of Grant") and (ii) multiplying the result times two; provided, however, that the method for determining the number of shares subject to Options may be modified from time to time by the Governance Committee of the Board.

(b) The exercise price of each Option shall be the per share Fair Market Value on the Date of Grant.

(c) The duration of the Option shall be coextensive with the deferral period selected by the Eligible Director in respect of his or her deferred compensation relating to the Option.

(d) Subject to Section 6(e) and (g), no portion of the Option is exercisable until the third anniversary of the Date of Grant, at which time the Option will become exercisable in full. Notwithstanding the foregoing, all Options will become exercisable in full in the event of a Change of Control, as hereinafter defined.

(e) Subject to Section 6(f) and (g) of the Plan, if an Eligible Director ceases to serve as a director, all Options held by such Eligible Director that are not exercisable at the time of such cessation will be forfeited.

(f) Upon termination of service by a director, any Option granted prior to October 11, 1999 held by the affected director that is exercisable at the time of such termination shall be exercisable for three months following the date of such termination. Notwithstanding the foregoing, if an Eligible Director shall die while serving as a director or during the three month period after termination of service as a director, any Option held by the deceased Eligible Director that is exercisable at the time of death shall remain exercisable by such Eligible Director's legal representative for one year following the date of death or the last day of the Option term, whichever occurs first.

(g) Options that are granted hereunder on or after October 11, 1999 shall continue to be exercisable beyond the termination of the Eligible Director's services until the expiration of the Option term; provided that the Eligible Director's termination of service occurs (1) due to death, (2) due to disability, as defined under the Company's long-term disability plan for employees, (3) following the completion of 10 years of service with the Company as a director, or (4) following attainment of the Company's mandatory retirement age for directors. In the case of an Eligible Director's termination of service for all other reasons, any Options or portions thereof that are exercisable at the time of termination of service shall be exercisable until the earlier to occur of (i) the last day of the Option term or (ii) the last day of the three month period following such termination. Any Options granted on or after October 11, 1999 that are not exercisable at the time of the Eligible Director's termination of service or that are not exercised by the last day of the additional exercise period described in the preceding sentence shall be forfeited.

(h) Notwithstanding Section 10 herein to the contrary, an Eligible Director may transfer by gift any Option that is exercisable provided that the following conditions (A) through (G) are met:

(A) The donees of the gift transfer are limited to Family Members and Family Entities;

(B) The Option is not further transferable by gift or otherwise by such Family Member or Family Entity;

(C) All rights appurtenant to the Option, including exercise rights, are irrevocably and unconditionally assigned to the donee;

(D) Transfers under this Section 6(h) must meet all of the requirements under applicable provisions of the Internal Revenue Code to be considered "gift" transfers.

(E) Following the transfer, the donee is subject to the same terms and conditions under the Option as was the Eligible Director;

(F) Unless one of the conditions set forth in Section 6(g)(1-4) hereof occurs, the exercise period of Options transferred under this Section 6(h) shall not extend beyond the one year period beginning on the Eligible Director's termination of service, except that for Options granted prior to October 11, 1999, the one year extension period shall commence on the date of the Eligible Director's death if the director dies within three months of terminating service as a director.

(G) For purposes of the Plan, the following definitions shall apply:

(a) Family Member means the Eligible Director'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, sister-in-law, nephew, niece (including by adoption) and any person sharing the Eligible Director's household (other than a tenant or employee); and

(b) Family Entity means any trust in which the Eligible Director has more than a 50% beneficial interest and any entity in which the Eligible Director and/or a Family Member owns more than a 50% of the voting interests.

(i) Fair Market Value shall mean fair market value, as determined by such methods or procedures as shall be established from time to time by the Board.

7. CHANGE OF CONTROL. For purposes of this Plan, a "Change of Control" shall be deemed to have occurred if:

(i) there is an acquisition, in any one transaction or a series of transactions, other than from Pitney Bowes Inc., by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), of beneficial ownership (within the meaning of Rule 13(d)(3) promulgated under the Exchange Act) of 20%

or more of either the then outstanding shares of Common Stock or the combined voting power of the then outstanding voting securities of Pitney Bowes Inc. entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by Pitney Bowes Inc. or any of its subsidiaries, or any employee benefit plan (or related trust) of Pitney Bowes Inc. or its subsidiaries, or any corporation with respect to which, following such acquisition, more than 50% of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the common stock and voting securities of Pitney Bowes Inc. immediately prior to such acquisition

in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of Common Stock or the combined voting power of the then outstanding voting securities of Pitney Bowes Inc. entitled to vote generally in the election of directors, as the case may be; or

(ii) individuals who, as of October 11, 1999, constitute the Board (as of such date, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to September 9, 1996, whose election, or nomination for election by Pitney Bowes' shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Pitney Bowes Inc. (as such terms are used in Rule 14(a)(11) or Regulation 14A promulgated under the Exchange Act); or

(iii) there occurs either (A) the consummation of a reorganization, merger or consolidation, in each case, with respect to which the individuals and entities who were the respective beneficial owners of the common stock and voting securities of Pitney Bowes Inc. immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation, or (B) an approval by the shareholders of Pitney Bowes Inc. of a complete liquidation of dissolution of Pitney Bowes Inc. or of the sale or other disposition of all or substantially all of the assets of Pitney Bowes Inc.

8. AMENDMENT OR TERMINATION OF PLAN: The Company reserves the right to amend, modify or terminate this Plan at any time by action of its Board of Directors, provided that such action shall not adversely affect any Eligible Director's rights under the provisions of this Plan with respect to awards of restricted stock or Options which were made prior to such action.

9. NON TRANSFERABILITY: Except as permitted under Section 5(d) and 6(h) hereof, restricted shares of Common Stock and Options prior to distribution or exercise thereof, as the case may be, shall not be transferable except by will or the laws of descent and distribution, and during the holder's lifetime, Options may be exercisable only by such holder.

10. ADMINISTRATION OF PLAN: This Plan shall be administered by the Governance Committee of the Board of Directors or any successor committee having responsibility for the remuneration of the directors (hereinafter referred to as the "Administrator"). All decisions which are made by the Administrator with respect to interpretation of the terms of the Plan, or with respect to any questions or disputes arising under this Plan, shall be final and binding on the Company and on the Eligible Directors and their heirs or beneficiaries.

11. RECAPITALIZATION: In the event of any change in the number or kind of outstanding shares of Common Stock of the Company by reason of a recapitalization, merger, consolidation, dividend, combination of shares or any other change in the corporate structure or shares of stock of the Company, the Board of Directors of the Company will make appropriate adjustments in the number of shares available for delivery pursuant to the provisions of this Plan, the number of shares to be awarded to each Eligible Director under Section 4, and in the number of shares, exercise price and any other affected provisions of any Options outstanding under the Plan, to prevent enlargement or diminution of the benefits intended to be granted under the Plan.

EXHIBIT (ii)

THE PITNEY BOWES AMENDED AND RESTATED 1998 STOCK PLAN
Effective as of January 1, 1999

THE PITNEY BOWES AMENDED AND RESTATED 1998 STOCK PLAN

Section 1. Purpose.

The purposes of this Pitney Bowes 1998 Stock Plan (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.

(b) "Award" shall mean any Option, Restricted Stock, Restricted Stock Unit, Dividend Equivalent, 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 evidencing any 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 Board of Directors, excluding any director who is not a Non-Employee Director" within the meaning of Rule 16b-3, or any such other committee designated by the Board of Directors to administer the Plan, which committee shall be composed of not less than the minimum number of members of the Board of Directors from time to time required by Rule 16b-3 or any applicable law, each of whom is a Non-Employee Director within the meaning of Rule 16b-3.

(g) "Company" shall mean Pitney Bowes Inc., or any successor thereto.

(h) "Covered Award" means an Award, other than an Option 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 13 of this Plan.

(i) "Covered Employees" means Participants who are designated by the Committee prior to the grant of an Award who are, or are expected to be at the time taxable income will be realized with respect to the Award, "covered employees" within the meaning of Section 1 62(m).

(j) "Dividend Equivalent" shall mean any right granted under Section 6(c) of the Plan.

(k) "Employee" shall mean any employee of the Company or of any Affiliate.

(l) "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.

(m) "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.

(n) "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.

(o) "Option" shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(p) "Other Stock-Based Award" shall mean any Award granted under Section 6(d) of the Plan.

(q) "Participant" shall mean an Employee who is granted an Award under the Plan.

(r) "Performance Award" shall mean any Award granted hereunder that complies with Section 6(e)(ii) of the Plan.

(s) "Performance Goals" means one or more objective performance goals, established by the Committee at the time an Award is granted, and based upon the attainment of targets for one or any combination of the following criteria: operating income, revenues, return on operating assets, return on investment, economic value added, earnings per share, return on stockholder equity, stock price, achievement of cost control, or such other measure as the Committee may decide, of the Company or such subsidiary, division or department of the Company for or within which the participant is primarily employed. Performance Goals also may be based upon attaining specified levels of Company performance based upon one or more of the criteria described above relative to prior periods or the

performance of other corporations. Performance Goals shall be set by the Committee within the time period prescribed by Section 162(m).

(t) "Person" shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.

(u) "Released Securities" shall mean securities that were Restricted Securities with respect to which all applicable restrictions have expired lapsed, or been waived.

(v) "Restricted Securities" shall mean Awards of Restricted Stock or other Awards under which issued and outstanding Shares are held subject to certain restrictions.

(w) "Restricted Stock" shall mean any Share granted under Section 6(b) of the Plan.

(x) "Restricted Stock Unit" shall mean any right granted under Section 6(b) of the Plan that is denominated in Shares.

(y) "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.

(z) "Section 162(m)" means Section 162(m) of the Code or any successor thereto, and the Treasury Regulations thereunder.

(aa) "Share" or "Shares" shall mean share(s) of the common stock of the Company, $2 par value, and such other securities or property as may become the subject of Awards pursuant to the adjustment provisions of Section 4(c).

(bb) "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. Subject to the terms of the Plan and applicable law, the Committee shall have full power and authority to:

(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) 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

(ix) 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 of the Company or of any Affiliate.

(c) The Committee may delegate to one or more executive officers of the Company or to a committee of executive officers of the Company the authority to grant Awards to Employees who are not officers or directors of the Company and to amend, modify, cancel or suspend Awards to such employees, subject to Sections 7 and 9.

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 30,800,000 (the "Plan Maximum), subject to adjustment as provided in Section 4(c) below. Only 9,240,000 Shares may be issued pursuant to Awards of Restricted Stock and Restricted Stock Units under Section 6(b) of the Plan. 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 full consideration paid therefor 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 full consideration paid therefor, shall be deemed to have never been issued under the Plan and accordingly shall not be counted against the Plan Maximum.

(iii) Awards not denominated in Shares shall be counted against the Plan Maximum in such amount and at such time as the Committee shall determine under procedures adopted by the Committee consistent with the purposes of the Plan.

(iv) Substitute Awards shall not be counted against the Plan Maximum, and clauses (i) and (ii) of this Section shall not apply to such Awards.

The maximum number of Shares that may be the subject of Awards made to a single Participant in any one calendar year shall be 400,000.

(b) Shares Available for ISOs. 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, subject to adjustment as provided in Section 4(c) below.

(c) Adjustments to avoid dilution. Notwithstanding paragraphs (a) and (b) above, in the event of a stock dividend, split-up or combination of Shares, merger, consolidation, reorganization, recapitalization, or other change in the corporate structure or capitalization affecting the outstanding common stock of the Company, such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or any Award, then the Committee may make appropriate adjustments to (i) the number or kind of Shares available for the future granting of Awards hereunder, (ii) the number and type of Shares subject to outstanding Awards, and (iii) the grant, purchase, or

exercise price with respect to any Award; or if it deems such action appropriate, the Committee may make provision for a cash payment to the holder of an outstanding Award; provided, however, that with respect to any ISO no such adjustment shall be authorized to the extent that such would cause the ISO to violate Code Section 422 or any successor provision thereto. The determination of the Committee as to the adjustments or payments, if any, to be made shall be conclusive.

(d) Other Plans. Shares issued under other plans of the Company shall not be counted against the Plan Maximum under the Plan.

Section 5. Eligibility.

Any Employee, including any officer or employee director of the Company or of any Affiliate, who is not a member of the Committee shall be eligible to be designated a Participant.

Section 6. Awards.

(a) Options. The Committee is hereby authorized to grant Options 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, no Option 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 may be exercised in whole or in part; in no event, however, shall the period for exercising an Option extend more than 10 years from the date of grant. The Committee shall also determine the method or methods by which options may be exercised, and the form or forms ('including without limitation, cash, Shares, 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 with respect thereto may be made or deemed to have been made.

(iii) Incentive Stock Options. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder.

(iv) Termination of Employment. In the event that a Participant terminates employment or becomes disabled, Options granted hereunder shall be exercisable only as specified below:

(A) Disability, Death and Retirement. Options Granted On Or After January 1,1999. If a Participant becomes disabled, dies or retires, any outstanding Option granted to such a Participant on or after January 1, 1999, whether or not full or partial vesting has occurred with respect to such Option at the time of the disability, death 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 the disability, death 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 disability, death or retirement.

Options Granted Prior to January 1, 1999. If a Participant becomes disabled, dies or retires, any outstanding Option granted to a Participant prior to January 1, 1999, whether or not full or partial vesting has occurred with respect to such Option at the time of the disability, death 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 disability, death 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 disability, death or retirement.

For purposes of the Plan, a Participant shall be considered to be "disabled" on the date he or she is determined to be totally disabled under the procedures and provisions of the Pitney Bowes Long Term Disability Plan, irrespective of whether the Participant is eligible for benefits under the LTD Plan. In addition, for purposes of the Plan, a Participant shall be considered to retire on the date he or she terminates employment on or after attainment of age 55 with at least 10 years of company service, as determined under the Pitney Bowes Pension Plan. In the case of death, an Option may be transferred to the executor of personal representative of the Participant's estate or the Participant's heirs by will or the laws of descent and distribution.

(B) Termination for Reasons Other Than Death, Disability or Retirement.

If a Participant terminates employment for reasons other than death, disability or retirement, any vested, unexercised portion of an Option that is at least partially vested 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 established an additional exercise period (but in any case not longer than the original

option term). Any portion of such partially vested Option that is not vested at the time of termination shall be forfeited unless the Committee has in its sole discretion established that a Participant may continue to satisfy the vesting requirements beyond the date of his or her termination of employment. Any outstanding Option 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 Committed shall have no discretion to extend the exercise period of such Option.

(C) Sale of Business. 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 assigned, sold, 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 Options as of the date of the closing of such transaction, whether or not fully partially vested, and such Participant shall be entitled to exercise such Options during the three (3) months following the closing of such transaction, unless the Committee has in its sole discretion established an additional exercise period (but in any case not longer than the original option term). All Options which are unexercised at the end of such three (3) months shall be automatically forfeited.

(D) Conditions Imposed on Unvested Options. Notwithstanding the foregoing provisions describing the additional exercise periods for Options upon termination of employment, the Committee may in its sole discretion condition the right of a Participant to exercise any portion of a partially vested Option for which the Committee has established an additional 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 judgements. The unvested Options of any Participant for whom the Committee has given an additional exercise period subject to such conditions subsequent as set forth in

this Section 6(a)(iv)(D) shall be forfeited immediately upon a breach of such conditions.

(E) Forfeiture for Gross Misconduct. Notwithstanding anything to the contrary herein, any Participant who engages in Gross Misconduct, as defined herein, (including any Participant who may otherwise qualify for disability or retirement status) shall forfeit all outstanding, unexercised Options, whether vested or unvested, as of the date such Gross Misconduct occurs. For purposes of the Plan, Gross Misconduct shall be defined to mean (i) 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 of (ii) the

Participant's willful act or failure to act in a way that results in material injury to the business or reputation of the Company or employees of the Company.

(F) Vesting. 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 with respect to all or a portion of the shares covered by the Option. The complete vesting of an Option shall be subject to Section 6(a)(iv)(E) hereof. Such vesting events or conditions may be set forth in the Notice of Grant or determined by the Committee.

(b) Restricted Stock and Restricted Stock Units. The Committee is hereby authorized to grant Awards of Restricted Stock and or Restricted Stock Units to Participants with the following terms and conditions.

(i) Restrictions. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, continued employment over a specified period or the attainment of specified Performance Objectives (as defined in Section 6(e)(ii)(B) or Performance goals, in accordance with Section 13), which restrictions may lapse separately or concurrently at such time or times, in such installments or otherwise, as the Committee may deem appropriate. 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 and (B) any Award not described in Clause (A) must have a restriction period of not less than one year subject, in the case of both (A) and (B) to the proviso to Section 6(b)(iii) below.

(ii) 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.

(iii) Termination of Employment. Upon termination of employment of a Participant for any reason during the applicable restriction period, all Restricted Stock and all Restricted Stock Units, or portion thereof, still subject to restriction shall be forfeited and reacquired by the Company; provided, however, that in the event termination of employment is due to the death, total disability or retirement of the Participant, the Committee may waive in whole or in part any or all remaining restrictions with respect to Restricted Stock or Restricted Stock Units.

(c) Dividend Equivalents. The Committee may 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 additional Shares or otherwise reinvested. Subject to the terms of the Plan, such Awards may have such terms and conditions, as the Committee shall determine.

(i) Termination of Employment. Upon termination of the Participant's employment for any reason during the term of a Dividend Equivalent, the right of a Participant to payment under a Dividend Equivalent shall terminate as of the date of termination; provided, however, that in the event the Participant's employment terminates because of the death, total disability or retirement of a Participant the Committee may determine that such right terminates at a later date.

(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; provided, however, that such grants must comply with Rule 16b-3 and applicable law.

(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 properly, or any combination thereof, as the Committee shall determine; provided, however, that except in the case of Substitute Awards, no derivative security (as defined in Rule 16b-3) awarded hereunder may have an exercise price of less than 100% of Fair Market Value of a Share on the date of grant.

(ii) In granting any 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 other sections of this 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, if so indicated by the Award.

(ii) Performance Awards. Subject to the other terms of this Plan, the payment, release or exercisability of any Award, in whole or in part, may be conditioned upon the achievement of such Performance Objectives" (as defined below) during such performance periods as are specified by the Committee. (Hereinafter in this Section 6(e)(ii) the terms payment, pay, and paid also refer to the release or exercisability of a Performance Award, as the case may require.)

(A) Terms. The Committee shall establish the terms and conditions of any Performance Award including the Performance Objectives (as defined below) to be achieved during any performance period, the length of any performance period, any event the occurrence of which will entitle the holder to payment, and the amount of any Performance Award granted.

(B) Performance Objectives. The Committee shall establish "Performance Objectives" the achievement of which shall entitle the Participant to payment under a Performance Award. Performance Objectives may be any measure of the business performance of the Company, or any of its divisions or Affiliates, including but not limited to the growth in book or market value of capital stock, the increase in the earnings in total or per share, or any other financial or non-financial indicator specified by the Committee.

(C) 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) Rule 16b-3 Six Month Limitations. To the extent required in order to render the grant of an Award, the exercise of an Award or any derivative security, or the sale of securities corresponding to an Award, an exempt transaction under Section 16b of the Securities Exchange Act of 1934 only, any equity security granted under the Plan to a Participant must be held by such Participant for at least six months from the date of grant, or in the case of a derivative security granted pursuant to the Plan to a Participant, at least six months must elapse from the date of acquisition of the derivative security to the date of disposition of the derivative security (other

than upon exercise or conversion) or its underlying equity security. Terms used in the preceding sentence shall, for the purposes of such sentence only, have the meanings if any, assigned or attributed to them under Rule 16b-3.

(iv) Limits on Transfer of Awards. No Award (other than Released Securities), 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 pursuant to a domestic relations order (or, in the case of Awards that are forfeited or canceled, to the Company); and any purported assignment, sale, 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 or by a transferee receiving such Award pursuant to a domestic relations order referred to above.

(v) Gift Transfers. Notwithstanding Section 6(e)(iv) herein to the contrary, a Participant may transfer by gift the exercisable portion of an Option provided that the following conditions (A) through (G) are met:

(A) The donees of the gift transfer are limited to Family Members and Family Entities;

(B) The Option is not further transferable by gift or otherwise by such Family Member and Family Entity;

(C) All rights appurtenant to the Option including exercise rights, are irrevocability and unconditionally assigned to the donee;

(D) Transfers under this Section 6(e)(v) must meet all of the requirements under applicable provisions of the Internal Revenue Code to be considered "gift" transfers.

(E) Following the transfer, the donee is subject to the same terms and conditions under the Option as was the Participant;

(F) The early exercise of the transferred Option shall be triggered if the Participant dies, becomes disabled, retires or terminates employment prior to the end of the Option term in accordance with Section 6(a)(iv) hereof.

(G) For purposes of the Plan, the following definitions shall apply:

(1) 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, sister- in-law, nephew, niece (including by adoption) and any person sharing the Participant's household (other than a tenant or employee); and

(2) (2) 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 a 50% of the voting interests.

(vi) 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.

(vii) 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 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.

(viii) 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.

(ix) Term of Awards. Except as provided in Sections 6(a)(ii) or 6(a)(iv), the term of each Award shall be for such period as may be determined by the Committee.

(x) 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 put 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, shall be delivered to the holder of Restricted Stock, Restricted Stock Units or any other relevant Award promptly after such related Shares shall become Released Securities.

Section 7. 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 6(b)(i), 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; provided, however, that no such amendment, alteration, suspension, discontinuance, cancellation or termination that would be adverse to the holder of such Award may be made without such holder's consent. Notwithstanding the foregoing, the Committee shall not amend any outstanding Option to change the exercise price thereof to any price that is lower than the original exercise price thereof, except in connection with an adjustment authorized under Section 4(c).

(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) Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(c) hereof) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits to be made available under the Plan or an Award Agreement.

(d) Correction of Defects, Omissions, and Inconsistencies. The Committee may correct any defect, supply any omission, or reconcile any inconsistency in any Award Agreement in the manner and to the extent it shall deem desirable to carry the Plan into effect.

Section 8. Acceleration Upon A Change Of Control. In the event of a Change of Control (as defined in Section 8(b) below) the following shall apply:

(a) Effect on Awards.

(i) Options. In the event of a Change of Control, (1) all Options outstanding on the date of such Change of Control shall become immediately and fully exercisable without regard to any vesting schedule provided for in the Option.

(ii) Restricted Stock and Restricted Stock Units. In the event of a Change of Control, 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. The Participant shall immediately have the right to the prompt delivery of certificates reflecting such Released Securities.

(iii) Dividend Equivalents. In the event of a Change of Control, 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. In the event of a Change of Control, all outstanding Other Stock-Based Awards of whatever type 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. In the event of a Change of Control, 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 Objectives and those conditioned on financial Performance be immediately payable (or exercisable or released, as the case may be) as if the Performance Objectives had been fully achieved for the entire performance period.

(B) For Performance Awards conditioned on financial Performance Objectives and payable in cash, the Committee shall determine the amount payable under such Award by taking into consideration the actual level of attainment of the Performance Objectives during that portion of the performance period that had occurred prior to the date of the Change of Control, and with respect to the part of the performance period that had not occurred prior to the date of the Change of Control, the Committee shall determine an anticipated level of attainment taking into consideration

available historical data and the last projections made by the Company's Chief Financial Officer prior to the Change of Control. The amount payable shall be the present value of the amount so determined by the Committee discounted using a factor that is the Prime Rate as established by Chase Manhattan Bank, N.A. as of the date of the Change of Control.

(vi) The Committee's determination of amounts payable under this Section 8(a) shall be final. Except as otherwise provided in

Section 8(a)(1), any amounts due under this Section 8(a) shall be paid to Participants within 30 days after such Change of Control.

(vii) The provisions of this Section 8(a) shall not be applicable to any Award granted to a Participant if any 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.

(b) Change of Control Defined. "A Change of Control" shall be deemed to have occurred if:

(i) there is an acquisition, in any one transaction or a series of transactions, other than from Pitney Bowes Inc., by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), of beneficial ownership (within the meaning of Rule 13(d)(3) promulgated under the Exchange Act) of 20% or more of either the then outstanding shares of Common Stock or the combined voting power of the then outstanding voting securities of Pitney Bowes Inc. entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by Pitney Bowes Inc. or any of its subsidiaries, or any employee benefit plan (or related trust) of Pitney Bowes Inc. or its subsidiaries, or any corporation with respect to which, following such acquisition, more than 50% of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the common stock and voting securities of Pitney Bowes Inc. immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of Common Stock or the combined voting power of the then outstanding voting securities of Pitney Bowes Inc. entitled to vote generally in the election of directors, as the case may be; or

(ii) individuals who, as of September 9, 1996, constitute the Board (as of such date, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to September 9, 1996, whose election, or nomination for election by Pitney Bowes' shareholders,

was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Pitney Bowes Inc. (as such terms are used in Rule 14(a)(11) or Regulation 14A promulgated under the Exchange Act); or

(iii) there occurs either (A) the consummation of a reorganization, merger or consolidation, in each case, with respect to which the individuals and entities who were the respective beneficial owners of the common stock and voting securities of Pitney Bowes Inc. immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation, or (B) an approval by the shareholders of Pitney Bowes Inc. of a complete liquidation of dissolution of Pitney Bowes Inc. or of the sale or other disposition of all or substantially all of the assets of Pitney Bowes Inc.

Section 9. Amendment And Termination Of The Plan.

Except to the extent prohibited by applicable law and unless 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 increase the total number of Shares available for Awards under the Plan, except as provided in Section 4 hereof.

Section 10. General Provisions

(a) 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 recipient.

(b) Withholding. The Company or any Affiliate shall be authorized to 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 taxes due in respect of an Award, 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.

(c) 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.

(d) 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 any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(e) 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 Connecticut and applicable Federal law.

(f) 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.

(g) 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 cured general creditor of the Company or any Affiliate.

(h) 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 whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

(i) 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 11. Effective Date Of The Plan.

The Plan shall be effective as of the date of its approval by the stockholders of the Company.

Section 12. Term Of The Plan.

No Award shall be granted under the Plan after May 31, 2006. 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 13. Participants Subject to Section 162(m)

(a) The provisions of this Section 13 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 13.

(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) 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.

(d) 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).

EXHIBIT (iii)

PITNEY BOWES INC.
DEFERRED INCENTIVE SAVINGS PLAN
FOR THE BOARD OF DIRECTORS

As Amended and Restated Effective as of October 11, 1999

PITNEY BOWES INC.
DEFERRED INCENTIVE SAVINGS PLAN
FOR THE BOARD OF DIRECTORS
As Amended and Restated Effective as of October 11, 1999

ARTICLE 1

PURPOSE AND EFFECTIVE DATE

The purpose of the Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors (hereinafter referred to as the "Plan") is to aid Pitney Bowes Inc. in retaining and attracting capable outside directors by providing them with savings and tax deferral opportunities. The Plan shall be effective for deferral elections made hereunder on or after April 1, 1997. The Plan has been amended from time to time and was amended and restated effective as of October 11, 1999, unless otherwise indicated.

ARTICLE 2

DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

SECTION 2.01. Beneficiary. "Beneficiary" means the person, persons or entity designated by the Participant to receive any benefits payable under the Plan pursuant to Article VIII.

SECTION 2.02. Board. "Board" means the Board of Directors of Pitney Bowes

SECTION 2.03. Change of Control. For purposes of this Plan, a "Change of Control" shall be deemed to have occurred if:

(i) there is an acquisition, in any one transaction or a series of transactions, other than from Pitney Bowes Inc., by any individual, entity or group (within the meaning of Section 1 3(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), of beneficial ownership (within the meaning of Rule 1 3(d)(3) promulgated under the Exchange Act) of 20% or more of either the then outstanding shares of Common Stock or the combined voting power of the then outstanding voting securities of Pitney Bowes Inc. entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by Pitney Bowes Inc. or any of its subsidiaries, or any employee benefit plan (or related trust) of Pitney Bowes Inc. or its subsidiaries, or any corporation with respect to which, following such acquisition, more than 50% of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the common stock and voting securities of Pitney Bowes Inc. immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of Common Stock or the combined voting power of the then outstanding voting securities of Pitney Bowes Inc. entitled to vote generally in the election of directors, as the case may be; or

(ii) individuals who, as of October 11, 1999, constitute the Board (as of such date, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to such date, whose election, or nomination for election by Pitney Bowes' shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Pitney Bowes Inc. (as such terms are used in Rule 14(a)(11) or Regulation 14A promulgated under the Exchange Act); or

(iii) there occurs either (A) the consummation of a reorganization, merger or consolidation, in each case, with respect to which the individuals and entities who were the respective beneficial owners of the common stock and voting securities of Pitney Bowes Inc. immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation, or (B) an approval by the shareholders of Pitney Bowes Inc. of a complete liquidation of dissolution of Pitney Bowes Inc. or of the sale or other disposition of all or substantially all of the assets of Pitney Bowes Inc.

SECTION 2.04. Committee. "Committee" means the Governance Committee of the Board of Directors. Any action authorized hereunder to be taken by the Committee is also authorized to be taken by the Board.

SECTION 2.05. Common Stock. "Common Stock" means the common stock of Pitney Bowes Inc.

SECTION 2.06. Company. "Company" means Pitney Bowes Inc., its successors, and any organization into which or with which Pitney Bowes Inc. may merge or consolidate or to which all or substantially all of its assets may be transferred.

SECTION 2.07. Deferral Account. "Deferral Account" means the account maintained on the books of the Company by the Committee for each Participant to reflect deferral of Eligible Compensation, adjusted for hypothetical gains, earnings, dividends, losses, distributions, withdrawals and other similar activity.

SECTION 2.08. Deferral Period. "Deferral Period" means the period beginning on the date the Eligible Compensation would otherwise have been paid and ending on the earlier of (i) the Participant's Termination of Service and (ii) the last day of the period during which the Participant elected to defer current enjoyment and distribution of the Eligible Compensation.

SECTION 2.09. Deferred Amount. "Deferred Amount" means the amount of Eligible Compensation for the Plan Year or performance period to which the Participation Agreement relates that is to be deferred under the Plan.

SECTION 2.10 Disability. "Disability" means eligibility for disability benefits under the terms of the Company's Long-Term Disability Plan as in effect from time to time based on the plan's "own occupation" standard for determining eligibility for benefits thereunder.

SECTION 2.11. Eligible Compensation. "Eligible Compensation" means any cash compensation payable by the Company to a Participant for service on the Board or any Committee thereof.

SECTION 2.12. Fair Market Value. "Fair Market Value" of a share of Common Stock means the definition of "Fair Market Value" used in the Pitney Bowes Inc. Directors' Stock Plan.

SECTION 2.13 Form of Payment. "Form of Payment" means payment in one lump sum or in installments of 5, 10 or 15 years.

SECTION 2.13. Option. "Option" means an option to acquire shares of Common Stock granted pursuant to the Pitney Bowes Inc. Directors' Stock Plan or any successor thereto.

SECTION 2.14. Participant. "Participant" means any director who is eligible to participate in this Plan and who elects to participate by filing a Participation Agreement as provided in Article 4.

SECTION 2.15. Participation Agreement. "Participation Agreement" means an agreement filed by a Participant in accordance with Article 4.

SECTION 2.16. Plan Year. "Plan Year" means a twelve-month period beginning January 1 and ending the following December 31; provided, however that the first Plan Year shall consist of the period from April 1, 1997 through December 31, 1997.

SECTION 2.17. Termination of Service. "Termination of Service" means the cessation of a Participant's service as a director of the Company for any reason.

SECTION 2.19. Valuation Date. Valuation Date" means the last day of each calendar month or such other date as the Committee in its sole discretion may determine.

ARTICLE 3

ADMINISTRATION

SECTION 3.01. Committee. (a) This Plan shall be administered by the Committee. A majority of the members of the Committee shall constitute a quorum for the transaction of business. All resolutions or other action taken by the Committee shall be by a vote of a majority of its members present at any meeting or, without a meeting, by an instrument in writing signed by all its members. Members of the Committee may participate in a meeting of such committee by means of a conference telephone or similar communications equipment that enables all persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

The Committee shall be responsible for the administration of this Plan and shall have all powers necessary to administer this Plan, including discretionary authority to determine eligibility for benefits and to decide claims under the terms of this Plan. The Committee may from time to time establish rules for the administration of this Plan, and it shall have the exclusive right to interpret this Plan and to decide any matters arising in connection with the administration and operation of this Plan. All rules, interpretations and decisions of the Committee shall be conclusive and binding on the Company, Participants and Beneficiaries.

The Committee may delegate responsibility for performing certain administrative and ministerial functions under this Plan, including without limitation, issues related to eligibility, investment choices, distribution of Deferred Amounts, determination of account balances, crediting of hypothetical earnings and of Deferred Amounts and debiting of hypothetical losses and of distributions, in-service withdrawals, deferral elections and any other duties concerning the day-to-day operation of this Plan.

No member of the Board nor any member of the Committee shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of this Plan have been delegated or for anything done or omitted to be done in connection with this Plan. The Committee shall keep records of all of its proceedings and shall keep records of all payments made to Participants or Beneficiaries and payments made for expenses or otherwise. The Company shall, to the fullest extent permitted by law, indemnify each director, officer or employee of the Company (including the heirs, executors, administrators and other personal representatives of such person) and each member of the Committee against expenses (including attorneys' fees), judgments, fines, amounts paid in settlement, actually and reasonably incurred by such person in connection with any threatened, pending or actual suit, action or proceeding (whether civil, criminal, administrative or investigative in nature or otherwise) in which such person may be involved by reason of the fact that he or she is or was serving this Plan in any capacity at the request of the Company.

Any expense incurred by the Company or the Committee relative to the administration of this Plan shall be paid by the Company.

ARTICLE 4

PARTICIPATION

SECTION 4.01. Participation. Participation in the Plan shall be limited to members of the Board who (i) are not employees of the Company or meet such eligibility criteria as the Committee shall establish from time to time, and (ii) elect to participate in this Plan by filing a Participation Agreement with the Committee. A Participation Agreement must be filed prior to the beginning of the Plan Year with respect to services in which the Eligible Compensation relates.

SECTION 4.02. Contents of Participation Agreement. Subject to Article 7, each Participation Agreement shall set forth: (i) the Deferred Amount, expressed as either a dollar amount or a percentage of the total Eligible Compensation for such Plan Year or performance period; provided, that the minimum Deferred Amount for any Plan Year or performance period shall not be less than $2,000; (ii) the Deferral Period, which is not to be less than three years, (iii) the Form of Payment; (iv) investment selections made by the Participant in hypothetical investment funds under the Plan; and (v) and any other item determined to be appropriate by the Committee.

SECTION 4.03. Changes to Participation Agreement. A Participation Agreement may not be amended or revoked after December 31st of the Plan Year in which it is made, except that the Deferral Period may be extended and the form of payment may be altered if an amended Participation Agreement is filed with the Committee at least one full calendar year before the Deferral Period (as in effect before such amendment) ends; provided, that only one such amended Participation Agreement may be filed with respect to each Participation Agreement. Upon a Participant's Termination of Service, the most recent Participation Agreement received by the Committee prior to Termination of Service shall supersede all previous Participation Agreements on file with regard to Termination of Service elections and the entire amount in the Participant's Deferral Account shall be distributed at Termination of Service in accordance with such elections.

ARTICLE 5

DEFERRED INCENTIVE COMPENSATION

SECTION 5.01. Elective Deferred Incentive Compensation. Except as provided in Section 6.02(c), the Deferred Amount of a Participant with respect to each Plan Year of participation in the Plan shall be credited by the Committee to the Participant's Deferral Account as and when such Deferred Amount would otherwise have been paid to the Participant. To the extent that the Company is required to withhold any taxes or other amounts from the Deferred Amount pursuant to any state, Federal or local law, such amounts shall first be taken out of compensation to the Participant that is not deferred under this Plan, if any.

SECTION 5.02. Vesting of Deferral Account. Except as provided in Section 7.04, a Participant shall be 100% vested in his/her Deferral Account at all times.

ARTICLE 6

MAINTENANCE AND INVESTMENT OF ACCOUNTS

SECTION 6.01. Maintenance of Accounts. Separate Deferral Accounts shall be maintained for each Participant. More than one Deferral Account may be maintained for a Participant as necessary to reflect (a) various investment choices and/or (b) separate Participation Agreements specifying different Deferral Periods and/or forms of payment. A Participant's Deferral Account(s) shall be utilized solely as a device for the measurement and determination of the amounts to be paid to the Participant pursuant to this Plan, and shall not constitute or be treated as a trust fund of any kind. The Committee shall determine the balance of each Deferral Account, as of each Valuation Date, by adjusting the balance of such Deferral Account as of the immediately preceding Valuation Date to reflect changes in the value of the deemed investments thereof, credits and debits pursuant to Section 5.01 and Section 6.02 and distributions pursuant to Article 7 with respect to such Deferral Account since the preceding Valuation Date.

SECTION 6.02. Investment Choices. (a) Subject to Section 6.02(d), the Committee shall permit the Participant to elect to have his/her Deferral Account deemed to be invested in one or more of the deemed investment funds offered under the Plan, as amended by the Committee from time to time, and in accordance with such rules, regulations and procedures as the Committee may establish from time to time. Notwithstanding anything to the contrary herein, earnings and losses based on a Participant's investment elections shall begin to accrue as of the date such Participant's Deferral Amounts are credited to his/her Deferral Accounts.

(b) Notwithstanding any other provision of this Plan, the Committee may adopt such procedures as it may determine are desirable to ensure that, with respect to any Participant who is subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, the crediting of deemed shares to, or the distribution of amounts from, his or her Deferral Account is not deemed to be a non-exempt purchase or sale for purposes of such Section 16(b).

(c) The Committee may authorize Options as an investment choice under the Plan. The terms and conditions under which Options may be made available as an investment choice shall be determined and communicated by the Committee to Participants from time to time.

(d) No deemed investment return under the Plan shall be allocated to Deferred Amounts related to the granting of Options, as described in Section 6.02(c), prior to the last day of the Option term, subject to Section 7.02(b) hereof. Following such Option term expiration, the Participant shall be entitled to elect to have his/her Deferred Amounts related to the granting of such Options deemed to be invested in one or more of the hypothetical investment funds offered under the Plan effective as soon as practicable following such

Option term expiration, provided that under applicable provisions of the Plan the Participant is permitted to defer distribution of the Deferred Amounts other than for a de minimis period.

(e) Any Participant who incurs a Termination of Service without completing at least 10 years of service with the Company, who had not attained the Company's mandatory retirement age for directors at termination or whose termination is not on account of death or Disability shall have his or her Deferred Amounts that are related to Options distributed without any deemed investment return if such Deferred Amounts were credited to the Participant's Deferral Account for less than three years as of the termination date.

(f) Any Participant electing Options as a deemed investment return who (i) incurs a Termination of Service after having completed 10 years of service with the Company, (ii) dies, (iii) incurs a Disability or (iv) terminates service after having attained the Company's mandatory retirement age for directors shall have the value of such exercised Options, if any, as the deemed investment return under the Plan even if the deferral of Deferral Amounts related to the Options has been less than three years at the time of the Termination of Service.

SECTION 6.03. Statement of Accounts. The Committee shall submit to each Participant quarterly statements of his/her Deferral Account(s), in such form as the Committee deems desirable, setting forth the balance to the credit of such Participant in his/her Deferral Account(s) as of the end of the most recently completed quarter.

ARTICLE 7

BENEFITS

SECTION 7.01. Time and Form of Payment. At the end of the Deferral Period for each Deferral Account, the Company shall pay to the Participant the balance of such Deferral Account at the time or times elected by the Participant in the applicable Participation Agreement; provided that if the Participant has elected to receive payments from a Deferral Account in a lump sum, the Company shall pay the balance in such Deferral Account (determined as of the most recent Valuation Date preceding the end of the Deferral Period) in a lump sum in cash as soon as practicable after the end of the Deferral Period. If the Participant has elected to receive payments from a Deferral Account in installments, the Company shall make annual cash only payments from such Deferral Account, each of which shall consist of an amount equal to (i) the balance of such Deferral Account as of the most recent Valuation Date preceding the payment date times (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining installments (including the installment being paid). The first such installment shall be paid as soon as practicable after the end of the Deferral Period and each subsequent installment shall be paid on or about the anniversary of such first payment. Each such installment shall be deemed made on a pro rata basis from each of the different deemed investments of the Deferral Account (if there is more than one such deemed investment).

SECTION 7.02. Termination of Service. (a) If a Participant has elected to have the balance of his/her Deferral Account distributed upon Termination of Service, the account balance of the Participant (determined as of the most recent Valuation Date preceding such Termination of Service) shall be distributed upon Termination of Service in installments or a lump sum in accordance with the Plan and as elected in the Participation Agreement.

(b) Notwithstanding Section 7.02 (a) hereof to the contrary, a Participant who incurs a Termination of Service following the completion of at least 10 years of service with the Company or the attainment of the Company's mandatory retirement age for directors and who has been granted Options pursuant to

Section 6.02(c) hereof in connection with Deferred Amounts shall have that portion of his/her Deferral Account that relates to the granting of such Options distributed no earlier than (i) the date of exercise of such Options and (ii) the last day of the Option term, whichever occurs first; provided, however, that any such Participant who has been granted Options pursuant to Section 6.02(c) hereof and whose Termination of Service occurs as a result of death or Disability shall have his or her Deferred Amounts related to such Options distributed as soon as practicable following the occurrence of such Disability or death, as the case may be. Such Deferred Amounts shall be distributed in accordance with the Form of Payment elected by the Participant in his/her Participation Agreement or with applicable provisions of the Plan; provided, however, that if the Deferred Amounts are to be distributed in installments, the Deferred Amounts related to the granting of Options shall be entirely distributed over the remaining installment schedule commencing with the next following installment payment due under the installment schedule. Any lump sum payment shall be paid as soon as practicable following the date of exercise of the Options or the last day of the Option term, as the case may be.

SECTION 7.03. In-Service Distributions. Subject to Section 7.02 hereof, if a Participant has elected to defer Eligible Compensation under the Plan for a stated number of years, the account balance of the Participant (determined as of the most recent Valuation Date preceding such Deferral Period) shall be distributed in installments or a lump sum in accordance with the Plan and as elected in the Participation Agreement.

SECTION 7.04. Voluntary Early Withdrawal. Notwithstanding the provisions of Section 7.01 and any Participation Agreement, a Participant shall be entitled to elect to withdraw all of the balance in his/her Deferral Account(s) in accordance with this Section 7.04 by filing with the Committee such form, in accordance with such procedures, as the Committee shall determine from time to time. As soon as practicable after receipt of such form by the Committee, the Company shall pay an amount equal to ninety percent of the balance in such Participant's Deferral Account(s) (determined as of the most recent Valuation Date preceding the date such election is filed) to the electing Participant in a lump sum in cash, and the Participant shall forfeit the remainder of such Deferral Account(s). All Participation Agreements previously filed by a Participant who elects to make a withdrawal under this Section 7.04 shall be null and void after such election is filed (including without limitation Participation Agreements with respect to Plan Years or performance periods that have not yet been completed), and such a Participant shall not thereafter be entitled to file any Participation Agreements under the Plan with respect to the first Plan Year that begins after such election is made.

SECTION 7.05. Payments in Connection with Change of Control. Notwithstanding anything contained in this Plan to the contrary, upon a Change of Control, the Company shall immediately pay to each Participant in a lump sum in cash the balance in his/her Deferral Account(s) (determined as of the most recent Valuation Date preceding the Change of Control).

SECTION 7.06. Withholding of Taxes. Notwithstanding any other provision of this Plan, the Company shall withhold from payments made hereunder any amounts required to be so withheld by any applicable law or regulation.

ARTICLE 8

BENEFICIARY DESIGNATION

SECTION 8.01. Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person, persons or entity as his Beneficiary or Beneficiaries. A Beneficiary designation shall be made, and may be amended, by the Participant by filing a written designation with the Committee, on such form and in accordance with such procedures as the Committee shall establish from time to time.

SECTION 8.02. No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, then the Participant's Beneficiary shall be deemed to be the Participant's estate.

ARTICLE 9

AMENDMENT AND TERMINATION OF PLAN

SECTION 9.01. Amendment. The Board or the Committee may at any time amend this Plan in whole or in part, provided, however, that no amendment shall be effective to decrease the balance in any Deferral Account as accrued at the time of such amendment, nor shall any amendment. otherwise have a retroactive effect.

SECTION 9.02. Company 's Right to Terminate. The Board or the Committee may at any time terminate the Plan with respect to future Participation Agreements. The Board or the Committee may also terminate the Plan in its entirety at any time for any reason, including without limitation if, in its judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interests of the Company, and upon any such termination, the Company shall immediately pay to each Participant in a lump sum the accrued balance in his Deferral Account (determined as of the most recent Valuation Date preceding the termination date).

ARTICLE 10

Miscellaneous

SECTION 10.01. Unfunded Plan. This Plan is intended to be an unfunded plan. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

SECTION 10.02. Nonassignabiliy. Except as specifically set forth in the Plan, neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

SECTION 10.03. Validity and Severability. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 10.04. Governing Law. The validity, interpretation, construction and performance of this Plan shall in all respects be governed by the laws of the State of Connecticut, without reference to principles of conflict of law, except to the extent preempted by federal law.

SECTION 10.05. Status as a Director. This Plan does not constitute a contract of employment or impose on the Participant or the Company any obligation for the Participant to remain a director of the Company or change the policies of the Company and its affiliates regarding termination of service as a director.

SECTION 10.06. Underlying Compensation Arrangements. Nothing in this Plan shall prevent the Company or the Board from modifying, amending or terminating the compensation arrangements for directors of the Company.

EXHIBIT (iv)

RULES OF THE

PITNEY BOWES U.K.

STOCK OPTION PLAN

Amended and Restated: Effective as of January 1, 1999

THE PITNEY BOWES U.K. STOCK OPTION PLAN

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THE PITNEY BOWES U.K. STOCK OPTION PLAN

PURPOSE AND INTRODUCTION

The purpose of the Pitney Bowes U.K. Stock Option Plan is (i) to make Options available to certain employees of Pitney Bowes Ltd, Pitney Bowes Finance plc and Pitney Bowes Management Services Ltd. and related companies who can make a substantial contribution to the success of one or more of the above companies and (ii) to enhance the ability of the above companies to attract and retain exceptionally qualified individuals upon whom, in large measure, the sustained progress, growth and profitability of the business of Pitney Bowes depend.

The Plan was established in 1986 and has been amended from time to time over the years. The Plan was originally established as an Approved Scheme but was amended on 22nd January, 1997 to permit the granting of Unapproved Options, along with Approved Options. The current plan restatement continues to permit the Company in its discretion to grant Approved Options and Unapproved Options under the Plan. Appendix A of the Plan contains rules specifically applicable to Approved Options. The plan name was changed in 1998 from the Pitney Bowes Inc. U.K. Executive Stock Option Plan (1986) to the current plan name to reflect that the group of eligible employees had been broadened to include non-executives.

The effective date of the restatement is January 1, 1999, meaning that the provisions of the restatement apply to all outstanding options as of January 1, 1999 unless otherwise indicated. The restated Plan shall not be effective as to any outstanding or future grants of Approved Options until the restated Plan has been approved by Inland Revenue.

1. INTERPRETATION

(a) The following words and expressions have the following meanings. Certain capitalized but undefined terms appearing in this Rule 1 shall have the meanings defined in Appendix A of the Plan:

"Committee"	A committee of not less than three Directors who shall be appointed, from time to time, by the Directors;
"Company"	Pitney Bowes Inc., a company incorporated under the laws of the State of Delaware, U.S.A.;
"Date of Grant"	The date on which the Directors resolve to grant an Option in accordance with applicable terms of the Plan;
"Directors"	The Board of Directors of the Company for the time being;
"Eligible Employee"	Any person holding employment who is an employee or full-time director of the Company or any Participating Company provided that no Termination of Employment has occurred. For purposes of this definition, "full-time" shall mean that the director is required to work for not less than 25 hours per week;

"Fair Market Value" The mean of the high and low price of a Share on the date as of which the value is to be determined, as reported in the New York Stock Exchange Composite Transactions listing in the Wall Street Journal;

"Issue or Reorganization" Any capitalization issue or rights issue, stock dividend or stock split, or any consolidation, sub-division or reduction of capital by the Company (other than the redemption or purchase by the Company of any capital);

"Option" The right granted or to be granted hereunder to a Participant on any particular Date of Grant to subscribe for Shares in accordance with the Rules of the Plan;

"Participant" Any person who has been granted an Option which has not lapsed in accordance with the provisions of

Rule 5(b)(ii) hereof and includes, where the context so permits, the legal personal representatives of any such person;

"Participating Company" Any company which the Directors from time to time determine shall participate in the Plan;

"Plan" This plan, being the Pitney Bowes U.K. Stock Option Plan, in its present form or with and subject to any amendment thereto effected in accordance with the Rules;

"Share" A unit of Common Stock in the capital of the Company.

"Subscription Price" The price for the subscription of a Share comprised in any Option which is not less than the higher of:

(i) the nominal value of a Share, and

(ii) 100% of the Fair Market Value of a Share on the Date of Grant of such Option.

The Subscription Price shall be expressed in United States dollars in the Option award agreement.

"Termination of Employment" The last day on which the Participant actively perform services (whether voluntarily or involuntarily) for the Company and any Participating Company

(b) Words importing the singular shall include the plural and vice versa and words importing the masculine shall include the feminine;

2. ELIGIBILITY

No person shall be entitled as of right to participate in the Plan. Subject to applicable law and provisions of the Plan, the Committee shall in their absolute discretion decide from time to time which Eligible Employee shall have the opportunity to participate in the Plan and the extent of the participation.

3. GRANT OF OPTIONS

(a) The Committee shall select those Eligible Employees to whom Options will be granted, and shall determine for such Options the number of Shares which may be subscribed for, the Subscription Price, the vesting schedule and any other terms of such Options. The Directors shall have the final

authority to grant Options. A Participant who accepts the grant of an Option and the terms thereof shall send written notice of such acceptance to the Company, if the Company has indicated that it requires such written acceptance.

(b) All Options granted under the Plan shall be subject to the terms and conditions of the Plan contained herein and shall be in such form as the Committee may determine.

4. OPTION CASH OUT

(a) If a Participant tenders a notice of exercise of an Option, a cash sum may be paid to the Participant in lieu of allotment and issue or transfer of Shares. Such cash sum shall be equal to the amount by which the Fair Market Value of the Shares as of the date of exercise for which the notice of exercise was given exceeds the aggregate Subscription Price of those Shares. For purposes of this Rule 4, the Fair Market Value of Shares on which an Option is granted shall first be determined in United States Dollars on the exercise date and shall then be converted to British Pounds Sterling using the World Rate published in the Wall Street Journal as reported on or most recently before the exercise date to determine the cash sum amount, prior to withholding taxes. If payment is made pursuant to this clause to a Participant, he shall have no further rights in respect of the Shares for which the notice of exercise was given.

(b) The Company and any Participating Company shall be entitled to deduct and/or withhold and/or account to the proper authorities for any tax, national insurance contributions or other social security contribution which it is required to deduct and/or withhold and/or account for under any system for deduction of tax or such contributions at source (such as pay-as-you earn). The Company and Participating Company shall ensure that the amount of tax to which this sub-clause applies shall be the amount which is properly attributable, to and does not exceed, the tax liability on the benefit(s) to the Participant from participation in the Plan.

5. TERMS AND CONDITIONS OF OPTIONS

(a) Non-transferability

No Option granted under the Plan may be transferred, assigned, charged or otherwise alienated other than due to death.

(b) Exercise of Options

With respect to Options granted hereunder, the Committee shall take the following actions:

(i) Times and Method of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part; in no event, however, shall the period for exercising an Option extend more than 10 years from the Date of Grant. The Committee shall also determine the method or methods by which options may be exercised, and the form or forms (`including without limitation, cash, Shares, 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 with respect thereto may be made or deemed to have been made.

(ii) Period of Exercise. Options granted hereunder shall be exercisable only as specified below:

(A) Disability, Death and Retirement. Options Granted On Or After
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January 1, 1999. If a Participant becomes disabled, dies or retires, any outstanding Option granted to such a Participant on or after January 1, 1999, whether or not full or partial vesting has occurred with respect to such Option at the time of the disability, death 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 the disability, death 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 disability, death or retirement.

Options Granted Prior To January 1, 1999. If a Participant becomes disabled, dies or retires, any outstanding Option granted to a Participant prior to January 1, 1999, whether or not full or partial vesting has occurred with respect to such Option at the time of the disability, death 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 disability, death 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 disability, death or retirement.

For purposes of the Plan, a Participant shall be considered to be "disabled' on the date he or she is determined to be totally disabled under the procedures and provisions of the Pitney Bowes U.K. Pension Fund, irrespective of whether the Participant is eligible for disability benefits under the Pension Plan. In addition, for purposes of the Plan, a Participant shall be considered to retire on the date he terminates employment on or after attainment of age 55 with at least 10 years of completed service with the Company and its subsidiaries. In the case of death, an Option 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.

(B) Termination for Reasons Other Than Death, Disability
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or Retirement. If a Participant incurs a Termination of

Employment for reasons other than death, disability or retirement, any vested, unexercised portion of an Option that is at least partially vested at the time of the Termination of Employment shall lapse in its entirety if not exercised by the Participant within three (3) months of the Termination of Employment, unless the Committee has in its sole discretion established an additional exercise period (but in any case not longer than the original option term). Any portion of such partially vested Option that is not vested at the time of Termination of Employment shall lapse unless the Committee has in its sole discretion established that a Participant may continue to satisfy the vesting requirements beyond the date of his Termination of Employment. Any outstanding Option granted to a Participant who incurs a Termination of Employment other than for death, disability or retirement, for which no vesting has occurred at the time of the termination shall lapse on the date of termination and the Committee shall have no discretion to extend the exercise period of such Option.

(C) Sale of Business. In the event the "business unit," (defined as
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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 assigned, sold, 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 Options 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 during the three (3) months following the closing of such transaction, unless the Committee has in its sole discretion established an additional exercise period (but in any case not longer than the original option term). All Options which are unexercised at the end of such three (3) months shall automatically lapse.

(D) Conditions Imposed on Unvested Options. Notwithstanding the
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foregoing provisions describing the additional exercise periods for Options upon Termination of Employment, the Committee may in its sole discretion condition the right of a Participant to exercise any portion of a partially vested Option for which the Committee has established an additional 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 and any related companies or entities or its current or former employees and directors, including without limitation, the expression of personal views, opinions or judgments. The unvested Options of any Participant for whom the Committee has given an additional exercise period subject to such conditions subsequent as set forth in this Rule 5(b)(ii)(D) shall immediately lapse upon a breach of such conditions.

(E) Forfeiture for Gross Misconduct. Notwithstanding anything to the
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contrary herein, any Participant who engages in Gross Misconduct, as defined herein, (including any Participant who may otherwise qualify for disability or retirement status) shall forfeit all outstanding, unexercised Options, whether vested or unvested, as of the date such Gross Misconduct occurs. For purposes of the Plan, Gross Misconduct shall be defined to mean (i) the Participant's conviction of a serious crime in connection with the performance or nonperformance of the Participant's duties or (ii) the Participant's willful and gross misconduct in the performance of his duties of employment or willful act or failure to act in a way that results in material injury to the business or reputation of the Company and any related companies or entities or employees of the Company and any related companies or entities.

(F) Vesting. 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 with respect to all or a portion of the shares covered by the Option. The complete vesting of an Option shall be subject to Rule 5(b)(ii)(E) hereof.

Such vesting events or conditions may be set forth in the notice of grant or determined by the Committee.

(G) Rights on Dismissal. In the event of his being dismissed by the Company or any Participating Company, a Participant shall not be entitled to damages by reason of any cessation of or alteration to his rights or expectations under the Plan arising from such dismissal.

6. ISSUE OR REORGANIZATION

In the event of any Issue or Reorganization the number and/or class of Shares subject to Options and/or the relevant Subscription Prices shall be appropriately adjusted in such manner as the Committee shall determine to be appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan provided that the Subscription Price of a Share shall never be less than its nominal value.

7. CHANGE OF CONTROL

Notwithstanding anything in the Plan to the contrary, the following shall apply:

(a) In the event of a Change of Control (as defined below), all Options outstanding immediately before such Change of Control shall become immediately exercisable to their fullest extent regardless of any vesting schedule, including Options granted less than one year prior to such Change of Control.

(b) If a Participant incurs a Termination of Employment within two years after a Change of Control, all outstanding Options held by him, even if granted less than one year before termination, and including those accelerated upon Change of Control, shall continue to be exercisable for a period of two years after such Termination of Employment, provided that nothing contained in this Paragraph shall extend any stock option granted beyond the expiration date pursuant to Rule 5 (b)(i) hereof.

(c) "Change of Control. shall mean the following events:

(i) there is an acquisition, in any one transaction or a series of transactions, other than from Pitney Bowes Inc., by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), of beneficial ownership (within the meaning of Rule 13(d)(3) promulgated under the Exchange Act) of 20% or more of either the then outstanding shares of Common Stock or the combined voting power of the then outstanding voting securities of Pitney Bowes Inc. entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by Pitney Bowes Inc. or any of its subsidiaries, or any employee

benefit plan (or related trust) of Pitney Bowes Inc. or its subsidiaries, or any corporation with respect to which, following such acquisition, more than 50% of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the common stock and voting securities of Pitney Bowes Inc. immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of Common Stock or the combined voting power of the then outstanding voting securities of Pitney Bowes Inc. entitled to vote generally in the election of directors, as the case may be; or

(ii) individuals who, as of September 9, 1996, constitute the Board (as of such date, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to September 9, 1996, whose election, or nomination for election by Pitney Bowes' shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Pitney Bowes Inc. (as such terms are used in Rule 14(a)(11) or Regulation 14A promulgated under the Exchange Act); or

(iii) there occurs either (A) a reorganization, merger or consolidation, in each case, with respect to which the individuals and entities who were the respective beneficial owners of the common stock and voting securities of Pitney Bowes Inc. immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation, or (B) an approval by the shareholders of Pitney Bowes Inc. of a complete liquidation or dissolution of Pitney Bowes Inc. or of the sale or other disposition of all or substantially all of the assets of Pitney Bowes Inc.

These "Change of Control" provisions only apply if Pitney Bowes Inc. is subject to a "Change of Control". They do not apply to employees of a Pitney Bowes subsidiary if that subsidiary is subject to a "Change of Control".

8. ADMINISTRATION

(a) The Plan shall be administered by the Committee. Subject to the terms of the Plan and applicable law, the Committee shall have full power and authority to:

(i) designate Eligible Employees;

(ii) determine the terms and conditions under which Options are to be granted;

(iii) determine whether, to what extent, and under what circumstances Options may be settled or exercised in cash, Shares, other securities, or other property, or to what extent, and under what circumstances options may lapse or may be canceled, forfeited, or suspended, and the method or methods by which Options may be settled, exercised, canceled, forfeited, or suspended;

(iv) interpret and administer the Plan and any instrument or agreement relating to the Plan, including any notice of grant;

(v) 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;

(vi) carry out such additional duties or exercise such additional rights as may be delegated to the Committee by the Directors; and

(vii) make any other determination and take any other action that the Committee may deem 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, 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, Participating Companies, any Participant, any holder or beneficiary of any Option and any employee or director of the Company or Participating Company.

9. AMENDMENT OF OPTIONS

(a) Subject to (b) below, the Committee may at any time and from time to time by resolution signed by the Committee and without other formality

amend any terms or, waive any conditions or rights under, alter, suspend, discontinue, cancel or terminate any Option granted hereunder in any respect except to reduce the Subscription Price below the Subscription Price at the time of grant, without the consent of the stockholders of the Company and of the Participant;

(b) No amendment shall operate to prejudice materially any rights already acquired by a Participant under the Plan or under a particular Option grant.

10. AMENDMENT AND TERMINATION OF PLAN

The Committee may at any time amend, alter, suspend, discontinue or terminate the Plan without the consent of any stockholder or Participant; provided that any such amendment, alteration, suspension, discontinuation or termination that would operate to prejudice materially the rights of any affected Participant shall not be effective without the approval of the Participant; and provided further that the Plan may not be amended to provide for repricing of Options previously issued under the Plan without stockholder approval. In the event the Plan is suspended, discontinued or terminated, no further grants will be made hereunder.

11. CORRECTION OF DEFECTS, OMISSIONS, AND INCONSISTENCIES

The Committee may correct any defect, supply any omission, or reconcile any inconsistency in any Option grant or Plan rule in the manner and to the extent it shall deem desirable to carry the Plan into effect.

12. GOVERNING LAW

The Rules shall be governed by the laws of England.

13. GENERAL PROVISIONS

(a) No Right to Option. No Employee, Participant or other Person shall have any claim to be granted any Option under the Plan, and there is no obligation for uniformity of treatment of Eligible Employees, Participants, or holders or beneficiaries of Options under the Plan. The terms and conditions of Options need not be the same with respect to each recipient.

(b) Withholding. The Company or any Participating Company shall be authorized to withhold from any Option granted or any payment due or transfer made under any Option, an amount (in cash, Shares, other securities, or other property) of taxes, national insurance contributions or other social security contribution due in respect of an Option, its exercise, or any payment or transfer under such Option or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(c) No Limit on Other Compensation Agreements. Nothing contained in the Plan shall prevent the Company or any Participating Company 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.

(d) No Right to Employment. The grant of an Option shall not be construed as giving a Participant the right to be retained in the employ of the Company and further grants of Options under the Plan are made on a purely discretionary basis and Eligible Employees and Participants shall not have a vested right to receive Option grants hereunder.

(e) Severability. If any provision of the Plan or any Option is or becomes or is deemed to be invalid, illegal, or enforceable in any jurisdiction, or as to any optionee or Option or would disqualify the Plan or any Option 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 Option, such provision shall be stricken as to such jurisdiction, optionee, or Award and the remainder of the Plan and any such Option shall remain in full force and effect.

(f) No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Option, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

(g) 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.

(h) Plan Expenses. The cost of the operation of the Plan (including but not limited to the costs relating to the issue of Shares upon the exercise of Options) shall be borne by the Company.

(i) Term of Plan. No Option shall be granted under the Plan after May 31, 2006. However, unless otherwise expressly provided in the Plan or in an applicable notice of grant, any Option theretofore granted may extend beyond such date, and the authority of the Committee hereunder to amend, alter, adjust, suspend, discontinue, or terminate any such Option, or waive any conditions or rights under any such Option in accordance with the terms of the Plan shall extend beyond such date.

APPENDIX A - APPROVED OPTIONS

I. PURPOSE AND SCOPE

The purpose of this Appendix A is to set forth Rules that apply specifically and only to Approved Options. All other Rules of the Plan not appearing in Appendix A shall also apply to Approved Options, except where expressly superseded by a specific Rule in Appendix A.

II. INTERPRETATION

(a) For purposes of this Appendix A, the following words and expressions have the indicated meanings. Capitalized terms not defined in Appendix A are already defined in Rule 1 of the Plan and shall have the meanings set forth in such Rule 1. References to legislation shall be to legislation enacted in the United Kingdom:

"Act" The Income and Corporation Taxes Act of 1988;

"Approved Option" An Option granted under a share option scheme approved under Schedule 9 of the Act;

"Company Share" A Share which satisfies the conditions of paragraphs 10 to 14 of Schedule 9 of the Act.

"Eligible Employee" Has the same meaning set forth in the Rules except that for the purposes of Appendix A, it excludes any person precluded from participating by paragraph 8 of Schedule 9.

"Participating Company" The Company and all "subsidiaries" incorporated in United Kingdom which are under the "control" of the Company, the terms subsidiaries" and "control" having the same respective meanings as defined in the Act.

(b) Words importing the singular shall include the plural and vice versa and words importing the masculine shall include the feminine;

(c) Other words or expressions, so far as not inconsistent with the context, shall have the same meanings as in Schedule 9 of the Act.

III. APPROVED OPTIONS

(a) Any Option granted as an Approved Option shall specifically be made subject to paragraphs (b) & (c) of this Rule III.

(b) The aggregate market value of shares which an Eligible Employee may acquire in pursuance of rights obtained (and not exercised) under an Approved Option granted under the Plan or under any other Approved

Scheme (other than a savings-related share option scheme) established by the Company or by any other associated company of the Company (within the meaning of s. 187 (2) of the Act), such aggregate market value being determined at the time the rights are obtained, shall not exceed (Pounds)30,000 or such other amount as may from time to time be the appropriate limit for the purpose of paragraph (28)(1) of Schedule 9 of the Act.

(c) In order to calculate the amount set out in Rule III(b) hereof, the Subscription Price of each Option shall be converted by the Committee from United States Dollars into British Pounds Sterling by reference to the World Rate published in the Wall Street Journal as reported on or most recently before the Date of Grant.

IV. NON APPLICABILITY OF CERTAIN PROVISIONS

Rule 4 and 13(b) of the Plan shall not apply to Approved Options. Rules 5(b)(ii)(C) and (E) shall only apply to Approved Options granted on or after January 1, 1999 and only after approval of the restated Plan by Inland Revenue. Rule 5(b)(F) applies to Options granted under this Appendix A, except that the last sentence of the Rule shall be replaced by the following:

"Such vesting events or conditions must be set forth in the notice of grant."

V. RESTRICTIONS ON THE EXERCISE OF OPTIONS

Notwithstanding anything to the contrary in Rule 5(b)(ii) of the Plan, an Approved Option granted under the Plan shall not be exercised by a Participant at any time when he is ineligible to participate by virtue of paragraph 8 of Schedule 9 of the Act.

VI. EXERCISE OF APPROVED OPTIONS IN THE CASE OF DEATH

Notwithstanding anything to the contrary in Rule 5(b)(ii)(A) of the Plan, an Approved Option shall only be exercisable by the Participant's personal representative during the one year period following the Participant's death.

VII. ISSUE OR REORGANIZATION

Rule 6 of the Plan shall be modified with respect to Approved Options such that;

(1) no adjustment to an Approved Option on account of an Issue or

Reorganization shall be made without the prior approval of the Board of the Inland Revenue;

(2) and the class of shares subject to Approved Options shall not be altered unless following such alteration, the shares would comply with paragraphs 10 to 14 of Schedule 9 of the Act.

VIII. AMENDMENT OF PLAN

Notwithstanding anything to the contrary in Rules 9 and 10 of the Plan, no material amendment of the Plan affecting Approved Options shall become effective without the prior approval of the Board of Inland Revenue and the Committee may at any time and from time to time by resolution and without other formality amend the Plan so as to secure or maintain approval under Schedule 9 of the Act.

IX. APPLICABILITY OF PRIOR PLAN UNTIL INLAND REVENUE APPROVAL OF NEW PLAN

Approved Options granted under the Prior Plan document which was to expire on December 31, 2001 shall be governed by the terms and conditions of such Prior Plan document until the current restated plan document is approved by Inland Revenue. The provisions of the restated plan document governing Approved Options shall be adopted by the Board as soon as practicable following approval by Inland Revenue. For purposes of this Rule IX, the term "Prior Plan" shall mean the plan document (as amended and restated) in effect prior to January 1, 1999.

X. ISSUE OR TRANSFER OF SHARES

Within 30 days if the date of exercise, the Shares in respect of which the Option has been exercised, shall be allotted and issued or, if appropriate, transferred to the Participant or as he may direct.

PITNEY BOWES INC. EXHIBIT (v)

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES(1)

(Dollars in thousands)

	Years Ended December 31,				
	1999(2)	1998(2)	1997(2)	1996(2)	1995(2)
Income from continuing operations before income taxes..................	$ 984,572	$ 824,604	$748,425	$640,759	$587,564
Add:					
Interest expense..............	184,371	162,092	161,867	163,173	196,436
Portion of rents Representative of the interest factor.........	33,750	36,962	38,764	40,157	41,750
Amortization of Capitalized interest........	973	973	914	914	914
Minority interest in the income of subsidiary with fixed charges...............	12,033	12,425	11,322	8,121	5,013
Income as adjusted.............	$1,215,699	$1,037,056	$961,292	$853,124	$831,677
Fixed charges:					
Interest expense..............	$ 184,371	$ 162,092	$161,867	$163,173	$196,436
Capitalized interest..........	1,316	-	-	1,201	2,178
Portion of rents Representative of the interest factor.........	33,750	36,962	38,764	40,157	41,750
Minority interest, excluding taxes, in the income of subsidiary with fixed charges................	17,973	18,886	17,209	11,759	7,604
	$ 237,410	$ 217,940	$217,840	$216,290	$247,968
Ratio of earnings to fixed charges.................	5.12	4.76	4.41	3.94	3.35
Ratio of earnings to fixed charges excluding minority interest......................	5.49	5.15	4.73	4.13	3.44

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

(2) Amounts reclassified to reflect CPLC and AMIC as discontinued operations. Interest expense and the portion of rents representative of the interest factor of these discontinued operations have been excluded from fixed charges in the computation.

Including these amounts in fixed charges, the ratio of earnings to fixed charges would be 5.02, 4.20, 3.80, 3.47 and 3.10 for the years ended December 31, 1999, 1998, 1997, 1996 and 1995, respectively. The ratio of earnings to fixed charges excluding

minority interest would be 5.37, 4.48, 4.01, 3.61 and 3.17 for the years ended December 31, 1999, 1998, 1997, 1996 and 1995, respectively.

EXHIBIT (vi)

Management's Discussion and Analysis of
Financial Condition and Results of Operations
Year ended December 31, 1999

Overview

Pitney Bowes Inc. (the company) continues to build on the core activities that support its strong competitive position in informed mail and messaging management.

The company operates in three reportable segments: Mailing and Integrated Logistics, Office Solutions and Capital Services.

Mailing and Integrated Logistics includes revenues from the rental of postage meters and the sale and financing of mailing equipment, including software-based mail creation and mail finishing equipment, production mail systems including customized software applications, software-based shipping, transportation and logistics systems, and related supplies and services. Office Solutions includes revenues from the sale, financing, rental and service of reprographic and facsimile equipment including related supplies, and facilities management services which provides mail processing, reprographic business support and other processing functions. Capital Services provides large-ticket financing and fee-based programs covering a broad range of products and other financial services to the commercial and industrial markets in North America.

On January 14, 2000, the company sold its mortgage servicing business, Atlantic Mortgage & Investment Corporation (AMIC), a wholly-owned subsidiary of the company to ABN AMRO North America. The company received approximately $484 million in cash at closing. Accordingly, operating results of AMIC have been segregated and reported as discontinued operations in the Consolidated Statements of Income. Prior year results have been reclassified to conform to the current year presentation. In connection with the sale, the company recorded a loss of approximately $27.6 million (net of taxes of $18.4 million) for the year ended December 31, 1999. The transaction is subject to post-closing adjustments. See Note 12 to the consolidated financial statements.

As part of the company's strategy to reduce the capital committed to asset-based financing, while increasing fee-based income, in 1998 the company sold its broker-oriented small-ticket leasing business to General Electric Capital Corporation (GECC), a subsidiary of General Electric Company. As part of the sale, the operations, employees and substantially all the assets of Colonial Pacific Leasing Corporation (CPLC) were transferred to GECC. The company received approximately $790 million at closing, which approximates the book value of the net assets sold or otherwise disposed of and related transaction costs. Accordingly, operating results of CPLC have been segregated and reported as discontinued operations in the Consolidated Statements of Income. Prior year results have been reclassified to conform to the current year presentation. In connection with this transaction, the company recorded a gain of approximately $3.7 million (net of taxes of $2.0 million) for the year ended December 31, 1999. This gain resulted from the settlement of post-closing adjustments in 1999 related to the sale, offset by the cost of settlement with regard to a dispute with GECC over certain assets that were included in the sale. See Note 12 to the consolidated financial statements.

Results of Continuing Operations
1999 Compared to 1998

In 1999, revenue increased 8%, operating profit grew 15%, income from continuing operations grew 22% and diluted earnings per share from continuing operations increased 25% to $2.42 compared with $1.94 for 1998.

In 1999, the company received a one time net after-tax settlement of $29.5 million from the U.S. Postal Service (USPS) (see Other Matters). Excluding the impact of this settlement, income from continuing operations grew 16% and diluted earnings per share from continuing operations increased 19% to $2.31 compared with $1.94 for 1998.

Diluted Earnings Per Share from Continuing Operations
Dollars

[BAR CHART]

*Excluding the USPS Settlement

Revenue

(Dollars in millions)	1999	1998	% change
Mailing and Integrated Logistics	$2,992	$2,707	11%
Office Solutions	1,266	1,216	4%
Capital Services	175	168	4%
	$4,433	$4,091	8%

The revenue increase came from growth in the Mailing and Integrated Logistics, Office Solutions and Capital Services segments of 11%, 4% and 4%, respectively, over 1998. Volume increases in our U.S. Mailing Systems, International Mailing, Production Mail, U.S. Copier Systems, Facsimile Systems and Management Services businesses were the principal reasons for the revenue growth. The impact of price changes and exchange rates was minimal.

Approximately 73% of our total revenue in 1999 is recurring revenue, which we believe is a continuing good indicator of potential repeat business.

Operating profit

(Dollars in millions)	1999	1998	% change
Mailing and Integrated Logistics	$ 798	$ 660	21%
Office Solutions	242	235	3%
Capital Services	51	52	(1%)
	$1,091	$ 947	15%

Operating profit grew 15% over the prior year, consistent with the growth rate in 1998, continuing to reflect our strong emphasis on reducing costs and controlling operating expenses. Another measure of our success in controlling costs and expenses in 1999 and 1998 was that growth in operating profit continued to significantly outpace revenue growth. Operating profit grew 21% in the Mailing and Integrated Logistics segment and 3% in the Office Solutions segment. Operating profit decreased 1% in the Capital Services segment.

The operating profit growth in the Mailing and Integrated Logistics segment came from strong performances by U.S. Mailing Systems, International Mailing, Production Mail and related financing. Operating profit in our Office Solutions segment was moderated by industry pricing pressures and unfavorable currency impacts affecting our copier and facsimile businesses.

Revenue
Dollars in millions

[BAR CHART]

Sales revenue increased 9% in 1999 due mainly to double-digit growth in our U.S. Mailing Systems, International Mailing and Production Mail businesses and single-digit growth in our U.S. Copier Systems, Facsimile Systems and Management Services businesses. The increase at U.S. Mailing Systems was due to the continuing shift to advanced technologies and feature-rich products in large, medium and entry level mailing machines, weighing scales and shipping and integrated logistics software and related equipment. The strong growth in the company's mailing and shipping businesses was also helped by increased business-to-business and business-to-consumer activity generated by e-commerce. Sales of consumable supplies used in our digital products also had strong growth. U.S. Copier Systems' sales growth was driven by increased sales of our Smart Image(TM) Plus line of products in the high-end segment, increased product offerings of digital and color models and increased supply sales. Facsimile supply sales in the U.S. and equipment sales in the U.K. and Canada contributed to sales growth in the Facsimile Systems business. However, the rate of growth in facsimile supply sales has moderated despite increased unit placements due to lower usage and increased competition from private label manufacturers. Increases in value-added services to the existing contract base, new services such as business recovery services which had its second full year of operation and international growth stimulated growth in our Management Services business. In total, Financial Services financed 36% and 38% of all sales in 1999 and 1998, respectively.

Rentals and financing revenue increased 7% in 1999. Rentals revenue grew 5% driven by growth in the U.S. mailing market due to the continuing shift to electronic and digital meters, including increased placements of the digital desktop Personal Post(TM) meter, available through various distribution channels such as telemarketing, the Internet and selected retail outlets specializing in business supplies. At December 31, 1999, electronic and digital meters represented over 99% of our U.S. meter base, up from 90% at December 31, 1998, with digital meters representing approximately 40% of all meters in service in the U.S., up from 35% in 1998. The company no longer places mechanical meters, which is in line with USPS guidelines.

The strategic shift at U.S. Copier Systems from sales to rentals has increased rentals revenue. Contribution to rentals revenue growth also came from our U.S. and U.K. facsimile markets, driven by an increased rental base of the 33.6 kbps systems such as the 9920 and 9930 models in the U.S. Our Facsimile Systems' installed rental and sales base is the highest in its history.

Financing revenue grew 11%. Revenue increases came from increased volume of leases of the company's products and from product offerings such as Purchase PowerSM, Business RewardsSM, Postal PrivilegeSM, and Reserve AccountSM. Financing revenue continued to be impacted by our strategy to reduce our asset-based financing through asset sales in 1999 and prior years.

Support services revenue increased 8% in 1999. Despite competitive pricing pressures, U.S. Mailing had increased support services revenue due to a larger population of extended maintenance contracts and higher chargeable service calls and billed labor hours in 1999. Production Mail had double-digit growth in support services revenue due to increased service contract base and on-site contracts. U.S. Copier Systems also had increased support services revenue.

Cost of sales

(Dollars in millions)	1999	1998	% change
	$1,220	$1,146	6%
Percentage of sales revenue	56.0%	57.5%	

Cost of sales, as a percentage of sales revenue, improved for the third consecutive year. The significant improvement in this ratio was achieved principally due to lower product costs, significant productivity improvements in our manufacturing processes, increased sales of higher margin software-based logistics and mail creation products, the increased sale of higher margin supplies in our mailing, copier and facsimile businesses and the impact of strategic sourcing initiatives in the U.S. and Europe.

Cost of rentals and financing

(Dollars in millions)	1999	1998	% change
	$470	$419	12%
Percentage of rentals and financing revenue	27.7%	26.5%	

Cost of rentals and financing, as a percentage of rentals and financing revenue, increased 1.2 percentage points. The cost of rentals ratio was slightly lower due to lower costs at U.S. Mailing and Facsimile Systems in 1999. The cost of financing ratio increased due to the impact of Capital Services segment transactions, reflecting the company's continued focus to reposition this business, and increased costs associated with new business initiatives, including the launch of the PitneyWorksSM suite of products.

Selling, service and administrative expenses were 34.3% of total revenue in 1999 compared with 35.3% in 1998. Continued emphasis on controlling expense growth while growing revenues resulted in an improvement in this ratio. This was the seventh consecutive year of improvement in our selling, service and administrative cost to revenue ratio, excluding a charge in 1996 to exit the copier business in Australia. The company continued its investment in an enterprise-wide resource planning initiative and incurred expenses to comply with Year 2000 systems issues, which partially offset the improvement in this ratio.

Favorable pension plan asset performance and amendments to the retiree medical program resulted in an increase in the unrecognized actuarial gain which could result in a reduction of the net periodic benefit cost in future years.

Selling, Service and Administrative Rate
Percentage of revenue

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Research and development expenses

(Dollars in millions)	1999	1998	% change
	$109	$101	8%

Research and development expenses increased 8% in 1999 to $109 million reflecting continued investment in developing new technologies and enhancing features for all our products. The 1999 increase represents expenditures for Internet-based bill presentment and metering, digital document delivery systems, new digital meters, personal computer metering technology, advanced inserting equipment, and new and advanced features for production mail equipment and high volume mail sorting equipment.

Net interest expense

(Dollars in millions)	1999	1998	% change
	$179	$157	14%

Net interest expense increased due to higher average borrowings during 1999 compared to 1998 to fund the company's investment in products and new business initiatives and the continuing stock repurchase program. Our variable and fixed debt rate mix, after adjusting for the effect of interest rate swaps, was 50% and 50%, respectively, at December 31, 1999.

Effective tax rate

	1999	1998

33.1%   34.2%

The effective tax rate of 33.1% in 1999 reflects continued tax benefits from leasing and financing activities, lower state and local taxes, and lower taxes attributable to international sourced income.

Continuing Operations Margin
Percentage of revenue

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Income from continuing operations and diluted earnings per share from continuing operations increased 22% and 25%, respectively, in 1999. Excluding the one time net after-tax gain of $29.5 million from the USPS Settlement, income from continuing operations and diluted

earnings per share from continuing operations increased 16% and 19% respectively, in 1999. The increase in diluted earnings per share outpaced the increase in income from continuing operations due to the company's share repurchase program, under which 7.4 million shares, approximately 3% of the average common and potential common shares outstanding at the end of 1998, were repurchased in 1999. Income from continuing operations as a percentage of revenue increased to 14.2% in 1999, excluding the USPS Settlement, from 13.3% in 1998, the sixth consecutive year of improvement in this ratio.

Income from Continuing Operations
Dollars in millions

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Results of Continuing Operations
1998 Compared to 1997

In 1998, revenue increased 6%, operating profit grew 15%, income from continuing operations grew 10% and diluted earnings per share from continuing operations increased 15% to $1.94 compared with $1.68 for 1997.

Revenue

(Dollars in millions)	1998	1997	% change
Mailing and Integrated Logistics	$2,707	$2,552	6%
Office Solutions	1,216	1,089	12%
Capital Services	168	206	(18%)
	$4,091	$3,847	6%

The revenue increase came from growth in the Mailing and Integrated Logistics and Office Solutions segments of 6% and 12%, respectively, over 1997. Volume increases in our U.S. Mailing Systems, Production Mail, U.S. Copier Systems, Facsimile Systems and Management Services businesses were the principal cause of the revenue growth. The impact of price changes and exchange rates was minimal. The revenue increase was partially offset by an 18% decline in revenue in the Capital Services segment due to our strategy to reduce our external assets and shift to more fee-based revenue streams.

Approximately 75% of our total revenue in 1998 and 1997 is recurring revenue, which we believe is a continuing good indicator of potential repeat business.

Operating profit

(Dollars in millions)	1998	1997	% change

Mailing and Integrated Logistics	$660	$582	13%
Office Solutions	235	197	19%
Capital Services	52	48	7%
	$947	$827	15%

Operating profit grew 15% over the prior year compared with growth of 17% in 1997, continuing to reflect our strong emphasis on reducing costs and controlling operating expenses in all our businesses. Another measure of our success in controlling costs and expenses in 1998 and 1997 was that growth in operating profit continued to significantly outpace revenue growth. Operating profit grew 13% in the Mailing and Integrated Logistics segment, 19% in the Office Solutions segment and 7% in the Capital Services segment.

The operating profit growth in the Mailing and Integrated Logistics segment came from strong performances by U.S. Mailing Systems, International Mailing, Production Mail and related financing. Strong operating performances by our Facsimile Systems, U.S. Copier Systems and Management Services businesses drove the operating profit growth in the Office Solutions segment.

Sales revenue increased 9% in 1998 due mainly to strong sales growth in our U.S. Mailing Systems, U.S. Copier Systems, Facsimile Systems and Management Services businesses. The increase in U.S. Mailing Systems was due to the continuing shift to advanced technologies and feature-rich products in the large, medium and entry level mailing machines and in weighing scales. Sales of consumable supplies used in our digital products also had strong growth. Sales growth in our Software Solutions business was driven by strong sales of logistics and print management software. Copier sales growth was driven by our new Smart Image(TM) Plus line of products in the high-end segment plus increased product offerings of digital and color models. Copier supply sales were also higher. For the second consecutive year, Buyers Laboratory has named our copiers as the "Most Outstanding Copier Line," with eight copiers being called "outstanding" in their respective class. The award recognizes reliability, copy quality and ease of use, all factors critical to customer satisfaction. Facsimile supply sales in the U.S. and equipment sales in the U.K. and Canada drove sales growth in the Facsimile Systems business. Increases in contract base and increases in value-added services to the existing contract base accounted for the growth in our Management Services business. In total, Financial Services financed 38% and 36% of all sales in 1998 and 1997, respectively. This increase was achieved despite the impact of the increased sales revenue from our Management Services business, which does not use traditional financing services used by our other businesses.

Rentals and financing revenue increased 3% in 1998. Rentals revenue grew 6% driven by growth in the U.S. and the U.K. mailing markets due to the continuing shift to electronic and digital meters. In the U.S., the growth came primarily from continuing placement of the digital desktop Personal Post(TM) meter, which is available through various distribution channels such as telemarketing, the Internet and selected retail outlets specializing in business supplies. At December 31, 1998, electronic and digital meters represented over 90% of our U.S. meter base, with digital meters representing 35% of all meters in service in the U.S. The company no longer places mechanical meters, which is in line with USPS guidelines; such meters were less than 10% of our U.S. meter population at December 31, 1998. The growth in U.K. rentals revenue was due to the introduction of the Personal Post(TM) meter in that market.

Contribution to rentals revenue growth also came from our U.S. and U.K. facsimile markets, driven by an increased rental base of the 33.6 kbps systems such as the 9920 and 9930 models in the U.S.

Financing revenue was flat. Revenue increases came from increased volume of leases of the company's products and from new product offerings such as Purchase PowerSM, Business RewardsSM and Postal PrivilegeSM. The increase was offset by reduced revenues from the large-ticket external financing business due to asset dispositions in 1998 and prior years in accordance with our strategy.

Support services revenue increased 7% in 1998. Despite competitive pricing pressures, U.S. Mailing had increased support services revenue from a larger population of extended maintenance contracts and higher chargeable service calls. Production Mail had double-digit growth in support services revenue as their service contract base and on-site contracts increased. U.S. Copier Systems and most of our international mailing units, excluding currency impacts, had increased support services revenue.

Cost of sales

(Dollars in millions)	1998	1997	% change
	$1,146	$1,082	6%
Percentage of sales revenue	57.5%	59.0%	

Cost of sales, as a percentage of sales revenue, improved for the second consecutive year. The significant improvement in this ratio was achieved principally due to lower product costs, the increased sale of higher margin supplies in our mailing, copier and facsimile businesses and the impact of strategic sourcing initiatives in the U.S. and Europe. The improvement was achieved despite the offsetting effect of increased revenue and costs of the lower margin Management Services business, where most of its expenses are in cost of sales.

Cost of rentals and financing

(Dollars in millions)	1998	1997	% change
	$419	$401	4%
Percentage of rentals and financing revenue	26.5%	26.2%	

Cost of rentals and financing, as a percentage of rentals and financing revenue, increased slightly. While the cost of rentals was essentially flat with 1997, the cost of financing increased due to lower revenues in the Capital Services segment, reflecting the company's continued focus to reposition this business.

Selling, service and administrative expenses were 35.3% of revenue in 1998 compared with 35.6% in 1997. Continued emphasis on controlling expense growth while growing revenues resulted in an improvement in this ratio. This was the sixth consecutive year of improvement in our selling, service and administrative cost to revenue ratio, excluding a charge in 1996 to exit the copier business in Australia. The company is in the process of an enterprise-wide resource planning initiative and has incurred expenses to comply with Year 2000 systems issues, which have partially offset the improvement in this ratio.

Research and development expenses

(Dollars in millions)	1998	1997	% change
	$101	$89	13%

Research and development expenses increased 13% in 1998 to $101 million reflecting continued investment in developing new technologies and enhancing features for all our products. The 1998 increase represents expenditures for new digital meters and metering technology, inserting equipment, developing advanced features for production mail equipment, high volume mail sorting equipment and digital delivery technologies.

Net interest expense

(Dollars in millions)	1998	1997	% change
	$157	$158	(1%)

Net interest expense decreased due to lower interest rates and higher interest income, offset in part by higher average borrowings during 1998 compared to 1997. Lower interest expense, resulting from utilizing the proceeds from prior year asset sales in our Capital Services segment and the sale of the broker-oriented small-ticket external financing business in 1998, was offset by interest expense on borrowings to fund the continuing stock repurchase program. Our variable and fixed rate debt mix, after adjusting for the effect of interest rate swaps, was 32% and 68%, respectively, at December 31, 1998.

Effective tax rate

1998	1997
34.2%	34.2%

The effective tax rate of 34.2% in 1998 reflects continued tax benefits from leasing and financing activities and lower taxes attributable to international sourced income. This rate was essentially flat with prior year.

Income from continuing operations and diluted earnings per share from continuing operations increased 10% and 15%, respectively, in 1998. The increase in diluted earnings per share outpaced the increase in income from continuing operations due to the company's share repurchase program, under which 11 million shares, 4% of the average common and potential common shares outstanding at the end of 1997, were repurchased in 1998. Income from continuing operations as a percentage of revenue increased to 13.3% in 1998 from 12.8% in 1997.

Other Matters

In August 1999, the USPS and the company announced that they had reached an agreement (USPS Settlement) resolving a lawsuit filed by the company in 1997. The lawsuit arose out of a dispute over a 1978 Statement of Understanding authorizing the company to offer Postage by Phone(R), its proprietary version of the Computerized Meter Resetting System. Under the terms of the agreement, the company received $51.8 million, representing a portion of the financial benefit that the USPS obtained as a result of the revised regulations. This payment, net of related legal expenses of $2.2 million, was recorded as other income in the Consolidated Statement of Income for the year ended December 31, 1999.

On January 14, 2000, the company sold its mortgage servicing business, AMIC, a wholly-owned subsidiary of the company to ABN AMRO North America. The company received approximately $484 million in cash at closing. The transaction is subject to post-closing adjustments. In connection with the sale, the company recorded a loss of approximately $27.6 million (net of taxes of $18.4 million) for the year ended December 31, 1999.

On October 30, 1998, CPLC, a wholly-owned subsidiary of the company, transferred the operations, employees and substantially all assets related to its broker-oriented external financing business to GECC, a subsidiary of the General Electric Company. The company received approximately $790 million at closing, which approximates the book value of the net assets sold or otherwise disposed of and related transaction costs. The transaction was subject to post-closing adjustments. In connection with this transaction, the company recorded a gain of approximately $3.7 million (net of taxes of $2.0 million) for the year ended December 31, 1999. This gain resulted from the settlement of post-closing adjustments in 1999 related to the sale, offset by the cost of settlement with regard to a dispute with GECC over certain assets that were included in the sale.

On August 21, 1997, the company entered into an agreement with GATX Capital Corporation (GATX Capital), a subsidiary of GATX Corporation, which reduced the company's external large-ticket finance portfolio by approximately $1.1 billion. This represented approximately 50% of the company's external large-ticket portfolio and reflects the company's ongoing strategy of focusing on fee- and service-based revenue rather than asset-based income.

Under the terms of the agreement, the company transferred external large-ticket finance assets through a sale to GATX Capital and an equity investment in a limited liability company owned by GATX Capital and the company. The company received approximately $867 million in net cash relating to this transaction during 1997, 1998 and 1999. At December 31, 1999, the company retained approximately $167.1 million of equity investment in a limited liability company along with GATX Capital.

Accounting Changes

In 1997, the company adopted Statement of Financial Accounting Standards (FAS) No. 128, "Earnings per Share." The company discloses basic and diluted earnings per share (EPS) on the face of the Consolidated Statements of Income and a reconciliation of the basic and diluted EPS computation is presented in Note 9 to the consolidated financial statements.

In 1998, the company adopted FAS No. 130, "Reporting Comprehensive Income." The company has disclosed all non-owner changes in equity in the Consolidated Statements of Stockholders' Equity. Prior periods have been restated for comparability purposes.

In 1998, the company adopted FAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Under FAS No. 131, the company has three reportable segments: Mailing and Integrated Logistics, Office Solutions and Capital Services. See Note 16 to the consolidated financial statements.

In 1998, the company adopted FAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." FAS No. 132 revises the company's disclosures about pension and other postretirement benefit plans. See Note 11 to the consolidated financial statements.

In June 1999, FAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133-an amendment of FASB Statement No. 133," was issued. This statement defers the effective date of FAS No. 133 one year (January 1, 2001 for the company). FAS No. 133 requires that an entity recognize all derivative instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Changes in the fair value of those instruments will be reflected as gains or losses. The accounting for the gains and losses depends on the intended use of the derivative and the resulting designation. The company is currently evaluating the impact of this statement.

In December 1999, the SEC issued SAB No. 101, "Revenue Recognition in Financial Statements," summarizing certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. This guidance is provided due, in part, to the large number of revenue recognition issues that SEC registrants encounter. Although the company believes it is in compliance with this guidance in all material respects, the company is currently evaluating its current revenue recognition policies to determine the impact of SAB No. 101, if any.

Liquidity and Capital Resources

Our ratio of current assets to current liabilities improved to 1.16 to 1 at December 31, 1999 compared to .92 to 1 at December 31, 1998. The increase in this ratio was due to the classification of AMIC's net assets to be disposed of as current assets in the Consolidated Balance Sheet at December 31, 1999. Excluding the impact of this classification, this ratio improved to 1.05 to 1 at December 31, 1999.

Current Ratio

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To manage interest rate risk, we use a balanced mix of debt maturities, variable and fixed rate debt and interest rate swap agreements. In 1999, we entered into interest rate swap agreements, primarily through our financial services business.

The ratio of total debt to total debt and stockholders' equity was 69.1% at December 31, 1999, versus 66.6% at December 31, 1998, including the preferred stockholders' equity in a subsidiary company as debt. Excluding the preferred stockholders' equity in a subsidiary company from debt, the ratio of total debt to total debt and stockholders' equity was 67.2% at December 31, 1999, versus 64.4% at December 31, 1998. The increase in finance receivables and other assets combined with the $438 million repurchase of 7.4 million shares of common stock in 1999 increased this ratio. The company's strong results partially offset the increase in this ratio.

As part of the company's non-financial services shelf registrations, the company has a medium-term note facility permitting issuance of up to $500 million in debt securities with a minimum maturity of nine months, of which $300 million remained available at December 31, 1999.

In December 1999, Pitney Bowes Nova Scotia ULC, a wholly-owned subsidiary of the company, issued $150 million of floating rate notes maturing December 2004, guaranteed by the company. These notes bear interest, at a floating rate of LIBOR plus 32 basis points, set as of the quarterly interest payment dates. The net proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper.

In April 1999, the company issued $200 million of medium-term notes from its shelf registration filed with the SEC in April 1998. These unsecured notes bear annual interest at 5.5% and mature in April 2004. The net proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper. In January 1998, the company issued notes amounting to $300 million available under a prior shelf registration. These unsecured notes bear annual interest at 5.95% and mature in February 2005. The notes are redeemable earlier at the company's option. The net proceeds from these notes were used for general corporate purposes, including the repayment of short-term debt.

Pitney Bowes Credit Corporation (PBCC), a wholly-owned subsidiary of the company, has $625 million of unissued debt securities available at December 31, 1999 from a shelf registration statement filed with the SEC in July 1998. As part of this shelf registration statement, in August 1999, PBCC established a medium-term note program for the issuance from time to time of up to $500 million aggregate principal amount of Medium-Term Notes, Series D, of which $375 million remained available at December 31, 1999.

In September 1999, PBCC issued $125 million of 5.95% unsecured notes (the "notes") available under the medium-term note program. The proceeds from the notes were used for general corporate purposes, including the repayment of short-term debt. The notes are due September 2000, with interest payable in March 2000 and at maturity.

In January 1998, PBCC issued notes amounting to $250 million available under a prior shelf registration. These unsecured notes bear annual interest at 5.65% and mature in January 2003. The proceeds were used to meet PBCC's financing needs during 1998.

In September 1998, certain partnerships controlled by affiliates of PBCC issued a total of $282 million of Series A and Series B Secured Floating Rate Senior Notes (the notes). The notes are due in 2001 and bear interest at a floating rate of LIBOR plus 65 basis points, set as of the quarterly interest payment dates. The proceeds from the notes were used to purchase subordinated debt obligations from the company (PBI Obligations). The PBI Obligations have a principal amount of $282 million and bear interest at a floating rate of LIBOR plus 100 basis points, set as of the notes' quarterly interest payment dates. The proceeds from the PBI Obligations were used for general corporate purposes, including the repayment of short-term debt.

To help us better manage our international cash and investments, in June 1995 and April 1997, Pitney Bowes International Holdings, Inc., a subsidiary of the company, issued $200 million and $100 million, respectively, of variable term, voting preferred stock (par value $.01) representing 25% of the combined voting power of all classes of its outstanding capital stock, to outside institutional investors in a private placement. The remaining 75% of the voting power is held directly or indirectly by Pitney Bowes Inc. The preferred stock is recorded on the Consolidated Balance Sheets as preferred stockholders' equity in a subsidiary company. We used the proceeds of these transactions to pay down short-term debt. We have an obligation to pay cumulative dividends on this preferred stock at rates that are set at auction. The auction periods are generally 49 days, although they may increase in the future. The weighted average dividend rate in 1999 and 1998 was 4.0%

and 4.1%, respectively. Preferred dividends are reflected as a minority interest in the Consolidated Statements of Income in selling, service and administrative expenses. In December 1998, the company sold 9.11% Cumulative Preferred Stock, mandatorily redeemable in 20 years, in a subsidiary company to an institutional investor for approximately $10 million.

At December 31, 1999, the company had unused lines of credit and revolving credit facilities of $1.8 billion (including $1.2 billion at its financial services businesses) in the U.S. and $47.7 million outside the U.S., largely supporting commercial paper debt. We believe our financing needs for the next 12 months can be met with cash generated internally, money from existing credit agreements, debt issued under new shelf registration statements and existing commercial and medium-term note programs. Information on debt maturities is presented in Note 5 to the consolidated financial statements.

Total financial services assets increased to $5.5 billion at December 31, 1999, up 7% from $5.2 billion in 1998. To fund finance assets, borrowings were $3.0 billion in 1999 and $2.8 billion in 1998. Approximately $237 million and $387 million in cash was generated from the sale of finance assets in 1999 and 1998, respectively. We used the money to pay down debt, repurchase shares and fund new business development.

Market Risk

The company is exposed to the impact of interest rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in different foreign currencies.

The company's objective in managing its exposure to interest rate changes is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the company uses a balanced mix of debt maturities and variable and fixed rate debt together with interest rate swaps.

The company's objective in managing its exposure to foreign currency fluctuations is to reduce the volatility in earnings and cash flows associated with foreign exchange rate changes. Accordingly, the company enters into various contracts, which change in value as foreign exchange rates change, to protect the value of external and intercompany transactions in foreign currencies. The principal currencies hedged are the British pound, Canadian dollar, Japanese yen and French franc.

The company employs established policies and procedures governing the use of financial instruments to manage its exposure to such risks. The company does not enter into foreign currency or interest rate transactions for speculative purposes. The gains and losses on these contracts offset changes in the value of the related exposures.

The company utilizes a "Value-at-Risk" (VaR) model to determine the maximum potential loss in fair value from changes in market conditions. The VaR model utilizes a "variance/co-variance" approach and assumes normal market conditions, a 95% confidence level and a one-day holding period. The model includes all of the company's debt and all interest rate and foreign exchange derivative contracts. Anticipated transactions, firm commitments, and receivables and accounts payable denominated in foreign currencies, which certain of these instruments are intended to hedge, were excluded from the model.

The VaR model is a risk analysis tool and does not purport to represent actual losses in fair value that will be incurred by the company, nor does it consider the potential effect of favorable changes in market factors.

At December 31, 1999, the company's maximum potential one-day loss in fair value of the company's exposure to foreign exchange rates and interest rates, using the variance/co-variance technique described above, was not material.

Year 2000

In 1997, the company established a formal worldwide program to identify and resolve the impact of the Year 2000 date processing issue on the company's business systems, products and supporting infrastructure. This included a comprehensive review of the company's information technology (IT) and non-IT systems, software and embedded processors. The program structure had strong executive sponsorship and consisted of a Year 2000 steering committee of senior business and technology management, a Year 2000 program office of full-time project management, and subject matter experts and dedicated business unit project teams. The company also engaged independent consultants to perform periodic program reviews and assist in systems assessment and test plan development.

The program encompassed the following phases: an inventory of affected technology and critical third party suppliers, an assessment of Year 2000 readiness, resolution, unit and integrated testing and contingency planning. The company completed its worldwide inventory and assessment of all business systems, products and supporting infrastructure. Required modifications were substantially completed by year-end 1998. Tests were performed as software was remediated, upgraded or replaced.

The company experienced no significant Year 2000 issues on its business systems, products and supporting infrastructure. Minor issues noted in the early days of the year were fully addressed and remedied during the first week of January 2000. The company has not noted or been notified of any significant concerns or impacts on its many business and IT systems, products, services and infrastructure or the failure of any third party on which the company relies to make timely changes to their own systems and processes.

Although the company cannot determine with any degree of accuracy the potential revenue it may have lost in the later months of 1999, the company believes it is possible that some of its customers may have deferred purchasing decisions until the year 2000.

While the company has not been notified of any specific product or system failure as a result of the Year 2000 issue, it will continue its monitoring activity into the second quarter of 2000 to ensure that any problems that may arise are promptly addressed.

The total cost of the worldwide program from inception in 1997 through the year 2000 was approximately $33 million, of which approximately $12 million was expensed in 1999. These costs, which were funded through the company's cash flows, included both internal labor costs as well as consulting and other external costs.

Capital Investment

During 1999, net investments in fixed assets included net additions of $114 million to property, plant and equipment and $191 million to rental equipment and related inventories, compared with $91 million and $207 million, respectively, in 1998. These additions included expenditures for normal plant and manufacturing equipment. In the case of rental equipment, the additions included the production of postage meters and the purchase of facsimile and copier equipment for new placements and upgrade programs.

At December 31, 1999, commitments for the acquisition of property, plant and equipment reflected plant and manufacturing equipment improvements as well as rental equipment for new and replacement programs.

Legal, Environmental and Regulatory Matters

Legal

In the course of normal business, the company is occasionally party to lawsuits. These may involve litigation by or against the company relating to, among other things:

- contractual rights under vendor, insurance or other contracts
- intellectual property or patent rights
- equipment, service or payment disputes with customers
- disputes with employees

We are currently a plaintiff or a defendant in a number of lawsuits, none of which should have, in the opinion of management and legal counsel, a material adverse effect on the company's financial position or results of operations.

Environmental

The company is subject to federal, state and local laws and regulations relating to the environment and is currently named as a member of various groups of potentially responsible parties in administrative or court proceedings. As we previously announced, in 1996 the Environmental Protection Agency (EPA) issued an administrative order directing us to be part of a soil cleanup program at the Sarney Farm site in Amenia, New York. The site was operated as a landfill between the years 1968 and 1970 by parties unrelated to the company, and wastes from a number of industrial sources were disposed there. We do not concede liability for the condition of the site, but are working with the EPA to identify, and then seek reimbursement from, other potentially responsible parties. Based on the facts presently known, we estimate the total cost of our remediation effort to be approximately $5 million. This amount has been recorded as a liability in the Consolidated Balance Sheet at December 31, 1999.

The administrative and court proceedings referred to above are in different states. It is difficult to estimate with any certainty the total cost of remediating, the timing or extent of remedial actions which may be required by governmental authorities. However, we believe that the outcome of any current proceeding will not have a material adverse effect on our financial condition or results of operations.

Regulation

In January 2000, the USPS issued a proposed schedule for the phaseout of manually reset electronic meters in the U.S. as follows:

- As of February 1, 2000, new placements of manually reset electronic meters would no longer be permitted. Current users of manually reset electronic meters can continue to use these meters for the term of their current rental and lease agreements.

Based on the proposed schedule, the company believes that the phaseout of manually reset electronic meters will not cause a material adverse financial impact on the company.

As a result of the company's aggressive efforts to meet the USPS mechanical meter migration phaseout schedule combined with the company's ongoing and continuing investment in advanced postage evidencing technologies, mechanical meters represented less than 1% of the company's installed U.S. meter base at December 31, 1999, compared with 10% at December 31, 1998. At December 31, 1999, over 99% of the company's installed U.S. meter base is electronic or digital, compared with 90% at December 31, 1998. The company continues to work, in close cooperation with the USPS, to convert those mechanical meter customers who have not migrated to digital or electronic meters.

In May 1995, the USPS publicly announced its concept of its Information Based Indicia Program (IBIP) for future postage evidencing devices. As initially stated by the USPS, the purpose of the program was to develop a new standard for future digital postage evidencing devices which significantly enhanced postal revenue security and supported expanded USPS value-added services to mailers. The program would consist of the development of four separate specifications:

- the Indicium specification-the technical specifications for the indicium to be printed
- a Postal Security Device specification-the technical specification for the device that would contain the accounting and security features of the system
- a Host specification
- a Vendor Infrastructure specification

During the period from May 1995 through December 31, 1999, the company has submitted extensive comments to a series of proposed IBIP specifications issued by the USPS. In July 1999, the USPS issued the latest set of proposed specifications, entitled "Performance Criteria for Information Based Indicia and Security Architecture for Open IBI Postage Evidencing Systems" (the IBI Performance Criteria). The company has submitted comments to the IBI Performance Criteria.

As of December 31, 1999, the company is in the process of finalizing the development of both PC and Internet versions of a product which satisfy the proposed IBI Performance Criteria. These products are currently in the final phase of beta testing and are expected to be ready for market upon final approval from the USPS.

In June 1999, the company was served with a Civil Investigative Demand (CID) from the Justice Department's Antitrust Division. A CID is a tool used by the Antitrust Division for gathering information and documents. The company believes that the Justice Department may

be reviewing the company's efforts to protect its intellectual property rights. The company believes it has complied fully with the antitrust laws and is cooperating fully with the department's investigation.

Effects of Inflation and Foreign Exchange

Inflation, although moderate in recent years, continues to affect worldwide economies and the way companies operate. It increases labor costs and operating expenses, and raises costs associated with replacement of fixed assets such as rental equipment. Despite these growing costs and the USPS meter migration initiatives, the company has generally been able to maintain profit margins through productivity and efficiency improvements, continual review of both manufacturing capacity and operating expense levels, and, to an extent, price increases.

Although not affecting income, deferred translation losses amounted to $5 million, $25 million and $32 million in 1999, 1998 and 1997, respectively. In 1999 and 1998, the translation losses resulted principally from the weakening Canadian dollar. In 1997, the translation loss resulted from the strengthening of the U.S. dollar against most other currencies except for the British pound.

The results of the company's international operations are subject to currency fluctuations. We enter into foreign exchange contracts for purposes other than trading primarily to minimize our risk of loss from such fluctuations. Exchange rates can impact settlement of our intercompany receivables and payables that result from transfers of finished goods inventories between our affiliates in different countries, and intercompany loans.

At December 31, 1999, the company had approximately $331 million of foreign exchange contracts outstanding, most of which mature in 2000, to buy or sell various currencies. Risks arise from the possible non-performance by counterparties in meeting the terms of their contracts and from movements in securities values, interest and/or exchange rates. However, the company does not anticipate non-performance by the counterparties as they are composed of a number of major international financial institutions. Maximum risk of loss on these contracts is limited to the amount of the difference between the spot rate at the date of the contract delivery and the contracted rate.

Dividend Policy

The company's Board of Directors has a policy to pay a cash dividend on common stock each quarter when feasible. In setting dividend payments, the board considers the dividend rate in relation to the company's recent and projected earnings and its capital investment opportunities and requirements. The company has paid a dividend each year since 1934.

Forward-Looking Statements

The company wants to caution readers that any forward-looking statements (those which talk about the company's or management's current expectations as to the future) in this Annual Report or made by the company management involve risks and uncertainties which may change based on various important factors. Words such as "estimate," "project," "plan," "believe," "expect" 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 behalf of the company include:

- 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
- changes in interest rates

Summary of Selected Financial Data
(Dollars in thousands, except per share data)

	Years ended December 31				
	1999	1998	1997	1996	1995
Total revenue	$ 4,432,608	$ 4,090,915	$3,846,767	$ 3,642,564	$ 3,389,153
Costs and expenses	3,448,036	3,266,311	3,098,342	3,001,805	2,801,589
Income from continuing operations before income taxes	984,572	824,604	748,425	640,759	587,564
Provision for income taxes	325,413	282,092	256,073	198,230	200,192
Income from continuing operations	659,159	542,512	492,352	442,529	387,372
Discontinued operations	(22,947)	33,882	33,675	26,884	195,768
Net income	$ 636,212	$ 576,394	$ 526,027	$ 469,413	$ 583,140
Basic earnings per share:					
Continuing operations	$2.47	$1.98	$1.70	$1.48	$1.28
Discontinued operations	(.09)	.12	.12	.09	.65
Net income	$2.38	$2.10	$1.82	$1.57	$1.93
Diluted earnings per share:					
Continuing operations	$2.42	$1.94	$1.68	$1.47	$1.27
Discontinued operations	(.08)	.12	.12	.09	.64
Net income	$2.34	$2.06	$1.80	$1.56	$1.91

Total dividends on common, preference and preferred stock	$272,866	$247,484	$231,392	$206,115	$181,657
Dividends per share of common stock	$1.02	$.90	$.80	$.69	$.60
Average common and potential common shares outstanding	272,006,143	279,656,603	292,517,116	301,303,356	304,739,952
Balance Sheet at December 31					
Total assets	$8,222,672	$7,661,039	$7,893,389	$8,155,722	$7,844,648
Long-term debt	$1,997,856	$1,712,937	$1,068,395	$1,300,434	$1,048,515
Capital lease obligations	$6,372	$8,384	$10,142	$12,631	$14,241
Stockholders' equity	$1,625,610	$1,648,002	$1,872,577	$2,239,046	$2,071,100
Book value per common share	$6.13	$6.09	$6.69	$7.56	$6.90
Ratios					
Profit margin-continuing operations:					
Pretax earnings	22.2%	20.2%	19.5%	17.6%	17.3%
After-tax earnings	14.9%	13.3%	12.8%	12.1%	11.4%
Return on stockholders' equity	39.1%	35.0%	28.1%	21.0%	28.2%
Debt to total capital	69.1%	66.6%	64.2%	60.5%	62.2%
Other					
Common stockholders of record	32,754	32,210	31,092	32,258	32,859
Total employees	30,628	30,869	29,368	28,160	27,366

See notes, pages 52 through 68

Consolidated Statements of Income
(Dollars in thousands, except per share data)

	Years ended December 31		
	1999	1998	1997
Revenue from:			
Sales	$2,180,255	$ 1,993,546	$ 1,834,057
Rentals and financing	1,696,952	1,581,866	1,529,154
Support services	555,401	515,503	483,556
Total revenue	4,432,608	4,090,915	3,846,767
Costs and expenses:			
Cost of sales	1,220,124	1,146,404	1,081,537
Cost of rentals and financing	469,912	419,123	401,345
Selling, service and administrative	1,519,349	1,443,080	1,367,862
Research and development	108,900	100,806	89,463
Other income	(49,574)	-	-
Interest expense	184,371	162,092	161,867
Interest income	(5,046)	(5,194)	(3,732)
Total costs and expenses	3,448,036	3,266,311	3,098,342
Income from continuing operations before income taxes	984,572	824,604	748,425
Provision for income taxes	325,413	282,092	256,073
Income from continuing operations	659,159	542,512	492,352
Income from discontinued operations, net of income tax	971	33,882	33,675
Loss on sale of discontinued operations, net of income tax	(23,918)	-	-
Net income	$ 636,212	$ 576,394	$ 526,027
Basic earnings per share:			
Income from continuing operations	$2.47	$1.98	$1.70
Discontinued operations	(.09)	.12	.12
Net income	$2.38	$2.10	$1.82
Diluted earnings per share:			
Income from continuing operations	$2.42	$1.94	$1.68
Discontinued operations	(.08)	.12	.12
Net income	$2.34	$2.06	$1.80

See notes, pages 52 through 68

Consolidated Balance Sheets
(Dollars in thousands, except share data)

December 31

	1999	1998
Assets		
Current assets:		
Cash and cash equivalents	$ 254,270	$ 125,684
Short-term investments, at cost which approximates market	2,414	3,302
Accounts receivable, less allowances: 1999, $28,716; 1998, $24,665	432,224	382,406
Finance receivables, less allowances: 1999, $48,056; 1998, $51,232	1,779,696	1,400,786
Inventories	257,452	266,734
Other current assets and prepayments	128,662	330,051
Net assets of discontinued operations	487,856	-
Total current assets	3,342,574	2,508,963
Property, plant and equipment, net	484,181	477,476
Rental equipment and related inventories, net	810,788	806,585
Property leased under capital leases, net	11,140	3,743
Long-term finance receivables, less allowances: 1999, $56,665; 1998, $79,543	1,907,431	1,999,339
Investment in leveraged leases	969,589	827,579
Goodwill, net of amortization: 1999, $54,848; 1998, $47,514	226,764	222,980
Other assets	470,205	814,374
Total assets	$8,222,672	$7,661,039
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 915,826	$ 898,548
Income taxes payable	255,201	194,443
Notes payable and current portion of long-term obligations	1,320,332	1,259,193
Advance billings	381,405	369,628
Total current liabilities	2,872,764	2,721,812
Deferred taxes on income	1,082,019	920,521
Long-term debt	1,997,856	1,712,937
Other noncurrent liabilities	334,423	347,670
Total liabilities	6,287,062	5,702,940
Preferred stockholders' equity in a subsidiary company	310,000	310,097
Stockholders' equity:		
Cumulative preferred stock, $50 par value, 4% convertible	29	34
Cumulative preference stock, no par value, $2.12 convertible	1,841	2,031
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	17,382	16,173
Retained earnings	3,437,185	3,073,839
Accumulated other comprehensive income	(93,015)	(88,217)
Treasury stock, at cost (58,642,966 shares)	(2,061,150)	(1,679,196)
Total stockholders' equity	1,625,610	1,648,002
Total liabilities and stockholders' equity	$8,222,672	$7,661,039

See notes, pages 52 through 68

Consolidated Statements of Cash Flows
(Dollars in thousands)

	Years ended December 31		
	1999	1998	1997
Cash flows from operating activities:			
Net income	$ 636,212	$ 576,394	$ 526,027
Loss on sale of discontinued operations	23,918	-	-

Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	412,104	361,333	300,086
Increase in deferred taxes on income	158,803	64,805	185,524
Pension plan investment	(67,000)	-	-
Change in assets and liabilities:			
Accounts receivable	(47,737)	(32,658)	(11,295)
Net investment in internal finance receivables	(178,898)	(219,141)	(184,709)
Inventories	11,341	(11,522)	30,526
Other current assets and prepayments	(29,383)	(33,731)	(62,635)
Accounts payable and accrued liabilities	6,174	52,364	29,090
Income taxes payable	76,069	46,909	(62,910)
Advance billings	10,667	8,489	33,607
Other, net	(31,184)	(41,214)	(72,738)
Net cash provided by operating activities	981,086	772,028	710,573
Cash flows from investing activities:			
Short-term investments	659	(1,655)	(388)
Net investment in fixed assets	(304,898)	(298,415)	(244,065)
Net investment in finance receivables	(184,182)	(81,663)	(7,656)
Net investment in capital and mortgage services	148,670	(2,324)	672,148
Investment in leveraged leases	(138,527)	(109,217)	(95,600)
Investment in mortgage servicing rights	(28,738)	(211,374)	(105,482)
Proceeds from sales of subsidiary	-	789,936	-
Other investing activities	(30,486)	(8,004)	455
Net cash (used in) provided by investing activities	(537,502)	77,284	219,412
Cash flows from financing activities:			
Increase (decrease) in notes payable, net	77,230	(696,157)	89,536
Proceeds from long-term obligations	358,232	837,847	-
Principal payments on long-term obligations	(94,687)	(234,182)	(256,326)
Proceeds from issuance of stock	56,368	49,521	33,396
Stock repurchases	(438,229)	(578,464)	(662,758)
Proceeds from preferred stock issued by a subsidiary	-	10,097	100,000
Dividends paid	(272,866)	(247,484)	(231,392)
Net cash used in financing activities	(313,952)	(858,822)	(927,544)
Effect of exchange rate changes on cash	(1,046)	(1,879)	(639)
Increase (decrease) in cash and cash equivalents	128,586	(11,389)	1,802
Cash and cash equivalents at beginning of year	125,684	137,073	135,271
Cash and cash equivalents at end of year	$ 254,270	$ 125,684	$ 137,073
Interest paid	$ 218,931	$ 187,339	$ 203,870
Income taxes paid, net	$ 67,647	$ 172,638	$ 159,854

See notes, pages 52 through 68

Consolidated Statements of Stockholders' Equity
(Dollars in thousands, except per share data)

	Preferred stock	Preference stock	Common stock	Capital in excess of par value	Comprehensive income	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost
Balance, January 1, 1997	$46	$2,369	$323,338	$30,260		$2,450,294	$(31,297)	$ (535,964)
Net income					$526,027	526,027		
Other comprehensive income:								
Translation adjustments					(32,051)		(32,051)	
Comprehensive income					$493,976			
Cash dividends:								
Preferred ($2.00 per share)						(1)		
Preference ($2.12 per share)						(179)		
Common ($.80 per share)						(231,212)		
Issuances of common stock				(2,741)				33,997
Conversions to common stock	(7)	(149)		(1,940)				2,096
Repurchase of common stock								(662,758)
Tax credits relating to stock options				2,449				
Balance, December 31, 1997	39	2,220	323,338	28,028		2,744,929	(63,348)	(1,162,629)
Net income					$576,394	576,394		
Other comprehensive income:								
Translation adjustments					(24,869)		(24,869)	
Comprehensive income					$551,525			
Cash dividends:								
Preferred ($2.00 per share)						(1)		
Preference ($2.12 per share)						(164)		
Common ($.90 per share)						(247,319)		
Issuances of common stock				(21,051)				58,597
Conversions to common stock	(5)	(189)		(3,106)				3,300
Repurchase of common stock								(578,464)
Tax credits relating to stock options				12,302				

Balance, December 31, 1998	34	2,031	323,338	16,173		3,073,839	(88,217)	(1,679,196)
Net income					$636,212	636,212		
Other comprehensive income:								
Translation adjustments					(4,798)		(4,798)	
Comprehensive income					$631,414			
Cash dividends:								
Preferred ($2.00 per share)						(1)		
Preference ($2.12 per share)						(150)		
Common ($1.02 per share)						(272,715)		
Issuances of common stock				(5,431)				52,403
Conversions to common stock	(5)	(190)		(3,679)				3,872
Repurchase of common stock								(438,229)
Tax credits relating to stock options				10,319				
Balance, December 31, 1999	$29	$1,841	$323,338	$17,382		$3,437,185	$(93,015)	$(2,061,150)

See notes, pages 52 through 68

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data or as otherwise indicated)

1. Summary of significant accounting policies

Consolidation

The consolidated financial statements include the accounts of Pitney Bowes Inc. and all of its subsidiaries (the company). All significant intercompany transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents, short-term investments and accounts receivable

Cash equivalents include short-term, highly liquid investments with a maturity of three months or less from the date of acquisition. The company places its temporary cash and short-term investments with financial institutions and limits the amount of credit exposure with any one financial institution. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers and relatively small account balances within the majority of the company's customer base, and their dispersion across different businesses and geographic areas.

Inventory valuation

Inventories are valued at the lower of cost or market. Cost is determined on the last-in, first-out (LIFO) basis for most U.S. inventories, and on the first-in, first-out (FIFO) basis for most non-U.S. inventories.

Fixed assets and depreciation

Property, plant and equipment are stated at cost and depreciated principally using the straight-line method over appropriate periods: machinery and equipment principally three to 15 years and buildings up to 50 years. Major improvements which add to productive capacity or extend the life of an asset are capitalized while repairs and maintenance are charged to expense as incurred. Rental equipment is depreciated on the straight-line method over appropriate periods, principally three to ten years. Other depreciable assets are depreciated using either the straight-line method or accelerated methods. Properties leased under capital leases are amortized on a straight-line basis over the primary lease terms.

Capitalized computer software costs

The company capitalizes certain costs of internally developed software. Capitalized costs include purchased materials and services, payroll and payroll related costs and interests costs. The cost of internally developed software is amortized on a straight-line basis over appropriate periods, principally three to five years.

Rental arrangements and advance billings

The company rents equipment to its customers, primarily postage meters and mailing, shipping, copier and facsimile systems under short-term rental agreements, generally for periods of three months to three years. Charges for equipment rental and maintenance contracts are billed in advance; the related revenue is included in advance billings and taken into income as earned.

Financing transactions

At the time a finance transaction is consummated, the company's finance operations record the gross finance receivable, unearned income and the estimated residual value of leased equipment. Unearned income represents the excess of the gross finance receivable plus the estimated residual value over the cost of equipment or contract acquired. Unearned income is recognized as financing income using the interest method over the term of the transaction and is included in rentals and financing revenue in the Consolidated Statements of Income. Initial direct costs incurred in consummating a transaction are accounted for as part of the investment in a lease and amortized to income using the interest method over the term of the lease.

In establishing the provision for credit losses, the company has successfully utilized an asset-based percentage. This percentage varies depending on the nature of the asset, recent historical experience, vendor recourse, management judgment and the credit rating of the respective customer. The company evaluates the collectibility of its net investment in finance receivables based upon its loss experience and assessment of prospective risk, and does so through ongoing reviews of its exposures to net asset impairment. The carrying value of its net investment in finance receivables is adjusted to the estimated collectible amount through adjustments to the allowance for credit losses. Finance receivables are charged to the allowance for credit losses after collection efforts are exhausted and the account is deemed uncollectible.

The company's general policy is to discontinue income recognition for finance receivables contractually past due for over 90 to 120 days depending on the nature of the transaction. Resumption of income recognition occurs when payments reduce the account to 60 days or less past due. However, large-ticket external transactions are reviewed on an individual basis. Income recognition is normally discontinued as soon as it is apparent that the obligor will not be making payments in accordance with lease terms and resumed after the company has sufficient experience on resumption of payments to be satisfied that such payments will continue in accordance with the original or restructured contract terms.

The company has, from time to time, sold selected finance assets. The company follows Statement of Financial Accounting Standards (FAS) No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," when accounting for its sale of finance assets. All assets obtained or liabilities incurred in consideration are recognized as proceeds of the sale and any gain or loss on the sale is recognized in earnings.

The company's investment in leveraged leases consists of rentals receivable net of principal and interest on the related nonrecourse debt, estimated residual value of the leased property and unearned income. The unearned income is recognized as leveraged lease revenue in income from investments over the lease term.

Goodwill

Goodwill represents the excess of cost over the value of net tangible assets acquired in business combinations and is amortized using the straight-line method over appropriate periods, principally 40 years. Goodwill and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. If such a change in circumstances occurs, the related estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition, are compared to the carrying amount. If the sum of the expected cash flows is less than the carrying amount, the company records an impairment loss. The impairment loss is measured as the amount by which the carrying amount exceeds the fair value of the asset.

Revenue

Sales revenue is primarily recognized when a product is shipped. Support services revenue is primarily recognized over the term of the service contract or as services are rendered.

Costs and expenses

Operating expenses of field sales and service offices are included in selling, service and administrative expenses because no meaningful allocation of such expenses to cost of sales, rentals and financing or support services is practicable.

Income taxes

The deferred tax provision is determined under the liability method. Deferred tax assets and liabilities are recognized based on differences between the book and tax bases of assets and liabilities using currently enacted tax rates. The provision for income taxes is the sum of the amount of income tax paid or payable for the year as determined by applying the provisions of enacted tax laws to the taxable income for that year and the net change during the year in the company's deferred tax assets and liabilities.

Deferred taxes on income result principally from expenses not currently recognized for tax purposes, the excess of tax over book depreciation, recognition of lease income and gross profits on sales to finance subsidiaries.

For tax purposes, income from leases is recognized under the operating method and represents the difference between gross rentals billed and depreciation expense.

It has not been necessary to provide for income taxes on $255 million of cumulative undistributed earnings of subsidiaries outside the U.S. These earnings will be either indefinitely reinvested or remitted substantially free of additional tax. Determination of the liability that would result in the event all of these earnings were remitted to the U.S. is not practicable. It is estimated, however, that withholding taxes on such remittances would approximate $8 million.

Nonpension postretirement benefits and postemployment benefits

It is the company's practice to fund amounts for nonpension postretirement and postemployment benefits as incurred. See Note 11 to the consolidated financial statements.

Earnings per share

Basic earnings per share is based on the weighted average number of common shares outstanding during the year, whereas diluted earnings per share also gives effect to all dilutive potential common shares that were outstanding during the period. Dilutive potential common shares include preference stock, preferred stock and stock option and purchase plan shares.

Foreign exchange

Assets and liabilities of subsidiaries operating outside the U.S. are translated at rates in effect at the end of the period, and revenues and expenses are translated at average rates during the period. Net deferred translation gains and losses are included in accumulated other comprehensive income in stockholders' equity.

The company enters into foreign exchange contracts for purposes other than trading primarily to minimize its risk of loss from exchange rate fluctuations on the settlement of intercompany receivables and payables arising in connection with transfers of finished goods inventories between affiliates and certain intercompany loans. Gains and losses on foreign exchange contracts entered into as hedges are deferred and recognized as part of the cost of the underlying transaction. At December 31, 1999, the company had approximately $331 million of foreign exchange contracts outstanding, most of which mature in 2000, to buy or sell various currencies. Risks arise from the possible non-performance by counterparties in meeting the terms of their contracts and from movements in securities values, interest and/or exchange rates. However, the company does not anticipate non-performance by the counterparties as they are composed of a number of major international financial institutions. Maximum risk of loss on these contracts is limited to the amount of the difference between the spot rate at the date of the contract delivery and the contracted rate.

Foreign currency transaction gains and (losses) net of tax were $(.3) million, $(1.2) million and $.5 million in 1999, 1998 and 1997, respectively.

Reclassification

Certain prior year amounts in the consolidated financial statements have been reclassified to conform with the current year presentation.

2. Inventories

Inventories consist of the following:

December 31	1999	1998
Raw materials and work in process	$ 41,149	$ 54,001
Supplies and service parts	122,726	106,864
Finished products	93,577	105,869
Total	$257,452	$266,734

If all inventories valued at LIFO had been stated at current costs, inventories would have been $22.4 million and $24.9 million higher than reported at December 31, 1999 and 1998, respectively.

3. Fixed assets

December 31	1999	1998
Land	$ 34,697	$ 34,775
Buildings	305,111	305,596
Machinery and equipment	847,390	813,202
	1,187,198	1,153,573
Accumulated depreciation	(703,017)	(676,097)
Property, plant and equipment, net	$ 484,181	$ 477,476

Rental equipment

and related inventories	$1,706,306	$1,706,995
Accumulated depreciation	(895,518)	(900,410)
Rental equipment and related inventories, net	$ 810,788	$ 806,585
Property leased under capital leases	$ 27,217	$ 19,430
Accumulated amortization	(16,077)	(15,687)
Property leased under capital leases, net	$ 11,140	$ 3,743

4. Current liabilities

Accounts payable and accrued liabilities and notes payable and current portion of long-term obligations are comprised as follows:

December 31	1999	1998
Accounts payable-trade	$ 233,947	$ 265,144
Accrued salaries, wages and commissions	138,132	134,262
Accrued pension benefits	29,086	95,341
Accrued nonpension postretirement benefits	15,500	15,500
Accrued postemployment benefits	6,900	6,900
Miscellaneous accounts payable and accrued liabilities	492,261	381,401
Accounts payable and accrued liabilities	$ 915,826	$ 898,548
Notes payable and overdrafts	$1,128,332	$1,051,182
Current portion of long-term debt	190,391	206,253
Current portion of capital lease obligations	1,609	1,758
Notes payable and current portion of long-term obligations	$1,320,332	$1,259,193

In countries outside the U.S., banks generally lend to non-finance subsidiaries of the company on an overdraft or term-loan basis. These overdraft arrangements and term-loans, for the most part, are extended on an uncommitted basis by banks and do not require compensating balances or commitment fees.

Notes payable were issued as commercial paper, loans against bank lines of credit, or to trust departments of banks and others at below prevailing prime rates. Fees paid to maintain lines of credit were $1.0 million in 1999 and $.9 million in 1998 and 1997.

At December 31, 1999, overdrafts outside the U.S. totaled $3.1 million and U.S. notes payable totaled $1.1 billion. Unused credit facilities outside the U.S. totaled $47.7 million at December 31, 1999, of which $35.4 million were for finance operations. In the U.S., the company had unused credit facilities of $1.8 billion at December 31, 1999, largely in support of commercial paper borrowings, of which $1.2 billion were for its finance operations. The weighted average interest rates were 3.6% and 2.9% on notes payable and overdrafts outstanding at December 31, 1999 and 1998, respectively.

The company periodically enters into interest rate swap agreements as a means of managing interest rate risk on both its U.S. and non-U.S. debt. The interest differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The company is exposed to credit losses in the event of non-performance by swap counterparties to the extent of the difference between the fixed and variable rates; such risk is considered minimal.

The company enters into interest rate swap agreements primarily through Pitney Bowes Credit Corporation (PBCC), a wholly-owned subsidiary of the company. It has been the policy and objective of the company to use a balanced mix of debt maturities, variable and fixed rate debt and interest rate swap agreements to manage interest rate risk. The company's variable and fixed rate debt mix, after adjusting for the effect of interest rate swap agreements, was 50% and 50%, respectively, at December 31, 1999. The company utilizes interest rate swap agreements when it considers the economic benefits to be favorable. At December 31, 1999, the company had outstanding interest rate swap agreements with notional principal amounts of $606.1 million and terms expiring at various dates from 2002 to 2009. The company exchanged $256.1 million notional principal amounts of variable commercial paper rates on an equal notional amount of notes payable and overdrafts for fixed rates ranging from 5.5% to 8.9%. In addition, the company exchanged $350.0 million notional principal amounts of fixed rate debt on an equal notional amount of variable rate debt. The variable rates for the swaps are based on six month LIBOR plus a spread, equal to the difference between the fixed rate of the debt and the fixed rate currently available for similar debt.

5. Long-term debt

December 31	1999	1998
Non-financial services debt:		
5.50% notes due 2004	$ 200,000	$ -
6.46% notes due 2004	150,000	-
5.95% notes due 2005	300,000	300,000
Other	7,748	11,757
Financial services debt:		
Senior notes:		
6.06% to 6.11% notes due 2000	-	50,000
5.65% to 6.77% notes due 2001	282,000	282,000
6.78% to 6.80% notes due 2001	200,000	200,000
6.63% notes due 2002	100,000	100,000
5.65% notes due 2003	250,000	250,000
8.80% notes due 2003	150,000	150,000
8.63% notes due 2008	100,000	100,000
9.25% notes due 2008	100,000	100,000
8.55% notes due 2009	150,000	150,000
Canadian dollar notes due 2000 (11.05% to 11.20%)	-	10,857
Other	8,108	8,323
Total long-term debt	$1,997,856	$1,712,937

The company has a medium-term note facility, which was established as a part of the company's shelf registrations, permitting issuance of up to $500 million in debt securities with a minimum maturity of nine months, of which $300 million remained available at December 31, 1999.

PBCC has $625 million of unissued debt securities available from a shelf registration statement filed with the Securities and Exchange Commission (SEC) in July 1998. As part of this shelf registration statement, in August 1999, PBCC established a medium-term note program for the issuance from time to time of up to $500 million aggregate principal amount of Medium-Term Notes, Series D, of which $375 million remained available at December 31, 1999.

The annual maturities of the outstanding debt during each of the next five years are as follows: 2000, $190.4 million; 2001, $486.0 million; 2002, $102.2 million; 2003, $401.4 million; 2004, $350.2 million; and $658.1 million thereafter.

Under terms of their senior and subordinated loan agreements, certain of the finance operations are required to maintain earnings before taxes and interest charges at prescribed levels. With respect to such loan agreements, the company will endeavor to have these finance operations maintain compliance with such terms and, under certain loan agreements, is obligated, if necessary, to pay to these finance operations amounts sufficient to maintain a prescribed ratio of earnings available for fixed charges. The company has not been required to make any such payments to maintain earnings available for fixed charges coverage.

6. Preferred stockholders' equity in a subsidiary company

Preferred stockholders' equity in a subsidiary company represents 3,000,000 shares of variable term voting preferred stock issued by Pitney Bowes International Holdings, Inc., a subsidiary of the company, which are owned by certain outside institutional investors. These preferred shares are entitled to 25% of the combined voting power of all classes of capital stock. All outstanding common stock of Pitney Bowes International Holdings, Inc., representing the remaining 75% of the combined voting power of all classes of capital stock, is owned directly or indirectly by Pitney Bowes Inc. The preferred stock, $.01 par value, is entitled to cumulative dividends at rates set at auction. The weighted average dividend rate in 1999 and 1998 was 4.0% and 4.1%, respectively. Preferred dividends are reflected as a minority interest in the Consolidated Statements of Income in selling, service and administrative expenses. The preferred stock is subject to mandatory redemption based on certain events, at a redemption price not less than $100 per share, plus the amount of any dividends accrued or in arrears. No dividends were in arrears at December 31, 1999 or 1998.

In 1998, the company sold 100 shares of 9.11% Cumulative Preferred Stock, mandatorily redeemable in 20 years, in a subsidiary company to an institutional investor for approximately $10 million.

7. Capital stock and capital in excess of par value

At December 31, 1999, 480,000,000 shares of common stock, 600,000 shares of cumulative preferred stock, and 5,000,000 shares of preference stock were authorized, and 264,694,946 shares of common stock (net of 58,642,966 shares of treasury stock), 588 shares of 4% Convertible Cumulative Preferred Stock (4% preferred stock) and 67,967 shares of $2.12 Convertible Preference Stock ($2.12 preference stock) were issued and outstanding. In the future, the Board of Directors can issue the balance of unreserved and unissued preferred stock (599,412 shares) and preference stock (4,932,033 shares). This will determine the dividend rate, terms of redemption, terms of conversion (if any) and other pertinent features. At December 31, 1999, unreserved and unissued common stock (exclusive of treasury stock) amounted to 114,964,638 shares.

The 4% preferred stock outstanding, entitled to cumulative dividends at the rate of $2 per year, can be redeemed at the company's option, in whole or in part at any time, at the price of $50 per share, plus dividends accrued to the redemption date. Each share of the 4% preferred stock can be converted into 24.24 shares of common stock, subject to adjustment in certain events.

The $2.12 preference stock is entitled to cumulative dividends at the rate of $2.12 per year and can be redeemed at the company's option at the rate of $28 per share. Each share of the $2.12 preference stock can be converted into 16 shares of common stock, subject to adjustment in certain events.

At December 31, 1999, a total of 1,101,725 shares of common stock were reserved for issuance upon conversion of the 4% preferred stock (14,253 shares) and $2.12 preference stock (1,087,472 shares). In addition, 2,124,666 shares of common stock were reserved for issuance under the company's dividend reinvestment and other corporate plans.

Each share of common stock outstanding has attached one preference share purchase right. Each right entitles each holder to purchase 1/200th of a share of Series A Junior Participating Preference Stock for $97.50 and will expire in February 2006. Following a merger or certain other transactions, the rights will entitle the holder to purchase common stock of the company or the acquirers at a 50% discount.

8. Stock plans

The company has the following stock plans which are described below: the U.S. and U.K. Stock Option Plans (ESP), the U.S. and U.K. Employee Stock Purchase Plans (ESPP), and the Directors' Stock Plan.

The company adopted FAS No. 123, "Accounting for Stock-Based Compensation," on January 1, 1996. Under FAS No. 123, companies can, but are not required to, elect to recognize compensation expense for all stock-based awards using a fair value methodology. The company has adopted the disclosure-only provisions, as permitted by FAS No. 123. The company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock-based plans. Accordingly, no compensation expense has been recognized for the ESP or the ESPP, except for the compensation expense recorded for its performance-based awards under the ESP and the Directors' Stock Plan as discussed herein. If the company had elected to recognize compensation expense based on the fair value method as prescribed by FAS No. 123, net income and earnings per share for the years ended 1999, 1998 and 1997 would have been reduced to the following pro forma amounts:

	1999	1998	1997
Net Income			
As reported	$636,212	$576,394	$526,027
Pro forma	$619,625	$567,907	$523,400
Basic earnings per share			
As reported	$2.38	$2.10	$1.82
Pro forma	$2.32	$2.07	$1.81
Diluted earnings per share			
As reported	$2.34	$2.06	$1.80
Pro forma	$2.28	$2.03	$1.79

In accordance with FAS No. 123, the fair value method of accounting has not been applied to awards granted prior to January 1, 1995. Therefore, the resulting pro forma impact may not be representative of that to be expected in future years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	1999	1998	1997
Expected dividend yield	2.0%	1.5%	2.0%
Expected stock price volatility	21%	18%	17%
Risk-free interest rate	6%	5%	6%
Expected life (years)	5	5	5

Stock Option Plans

Under the company's stock option plans, certain officers and employees of the U.S. and the company's participating subsidiaries are granted options at prices equal to the market value of the company's common shares at the date of grant. Options generally become exercisable in three equal installments during the first three years following their grant and expire after ten years. In 1999, the plans were amended to allow options granted on or after January 1, 1999 to be fully vested to optionees (or their beneficiaries) in certain events. In addition, the U.S. stock option plan was amended to permit optionees to gift vested options to family members, trusts or partnerships. At December 31, 1999, there were 18,337,216 options available for future grants under these plans. The per share weighted average fair value of options granted was $15 in 1999, $11 in 1998 and $7 in 1997.

The following table summarizes information about stock option transactions:

	Shares	Per share weighted average exercise price
Options outstanding at January 1, 1997	4,377,974	$18
Granted	1,837,730	$30
Exercised	(774,728)	$17
Canceled	(67,852)	$28
Options outstanding at December 31, 1997	5,373,124	$23
Granted	3,039,344	$47
Exercised	(884,512)	$17
Canceled	(142,953)	$40
Options outstanding at December 31, 1998	7,385,003	$33
Granted	3,288,716	$65
Exercised	(967,657)	$21
Canceled	(208,065)	$52
Options outstanding at December 31, 1999	9,497,997	$45
Options exercisable at December 31, 1997	2,703,734	$18
Options exercisable at December 31, 1998	2,966,399	$21
Options exercisable at December 31, 1999	3,790,291	$29

The following tables summarize information about stock options outstanding and exercisable at December 31, 1999:

Options Outstanding

Range of per share exercise prices	Number	Weighted average remaining contractual life	Per share weighted average exercise price
$12-$18	780,731	4.2 years	$16
$19-$28	1,219,226	6.1 years	$23
$29-$43	1,636,286	8.1 years	$31
$44-$66	5,861,754	9.5 years	$57
	9,497,997	8.4 years	

Options Exercisable

Range of per share exercise prices	Number	Per share weighted average exercise price
$12-$18	780,731	$16
$19-$28	1,216,861	$23
$29-$43	909,569	$30
$44-$66	883,130	$47
	3,790,291	

Beginning in 1997, certain employees eligible for performance-based compensation may defer up to 100% of their annual awards, subject to the terms and conditions of the Pitney Bowes Deferred Incentive Savings Plan. Participants may allocate deferred compensation among specified investment choices, including stock options under the U.S. stock option plan. Stock options acquired under this plan are generally exercisable three years following their grant and expire after a period not to exceed ten years. There were 220,647, 156,158 and 90,904 options outstanding under this plan at December 31, 1999, 1998 and 1997, respectively, which are included in outstanding options under the company's U.S. stock option plan. The per share weighted average fair value of options granted was $16 in 1999, $10 in 1998 and $7 in 1997.

The U.S. stock option plan permits the issuance of restricted stock. Restricted stock awards are subject to both tenure and financial performance over three years. The restrictions on the shares are released, in total or in part, only if the executive is still employed by the company at the end of the performance period and if the performance objectives are achieved. The compensation expense for each award is recognized over the performance period. There were no shares awarded in 1999, 1998 and 1997. Compensation expense recorded by the company related to these awards was $1.7 million in 1998 and $4.1 million in 1997.

Employee Stock Purchase Plans

The U.S. ESPP enables substantially all employees to purchase shares of the company's common stock at a discounted offering price. In 1999, the offering price was 90% of the average closing price of the company's common stock on the New York Stock Exchange for the 30 day period preceding the offering date. At no time will the exercise price be less than the lowest price permitted under Section 423 of the Internal Revenue Code. The U.K. ESPP enables eligible employees of the company's participating U.K. subsidiaries to purchase shares of the company's stock at a discounted offering price. In 1999, the offering price was 90% of the average closing price of the company's common stock on the New York Stock Exchange for the three business days preceding the offering date. The company may grant rights to purchase up to 9,523,018 common shares to its regular employees under these plans. The company granted rights to purchase 1,016,480 shares in 1999, 593,256 shares in 1998, and 855,916 shares in 1997. The per share fair value of rights granted was $11 in 1999, $7 in 1998 and $4 in 1997 for the U.S. ESPP and $17 in 1999, $14 in 1998 and $9 in 1997 for the U.K. ESPP.

Directors' Stock Plan

Under this plan, each non-employee director is granted 1,400 shares of restricted common stock annually as part of their compensation. Shares granted at no cost to the directors were 12,600 in 1999, 11,600 in 1998 and 10,900 in 1997. Compensation expense recorded by the company was $873,000, $560,000 and $370,000 for 1999, 1998 and 1997, respectively. The shares carry full voting and dividend rights but, except as provided herein, may not be transferred or alienated until the later of (1) termination of service as a director, or, if earlier, the date of a change of control, or (2) the expiration of the six month period following the grant of such shares. In 1999, the Directors' Stock Plan was amended to permit certain dispositions of restricted common stock to family members, trusts or partnerships, as well as donations to charity after the expiration of the six month holding period, provided the director retain restricted common stock with a minimum market value of $350,000. The per share weighted average fair value of shares granted was $57 in 1999, $42 in 1998 and $28 in 1997.

Beginning in 1997, non-employee directors may defer up to 100% of their eligible compensation, subject to the terms and conditions of the Pitney Bowes Deferred Incentive Savings Plan for directors. Participants may allocate deferred compensation among specified investment choices, including stock options under the Directors' Stock Plan. Stock options acquired under this plan are generally exercisable three years following their grant and expire after a period not to exceed ten years. There were 8,823, 4,822 and 1,994 options outstanding under this plan at December 31, 1999, 1998 and 1997, respectively. The per share weighted average fair value of options granted was $14 in 1999, $12 in 1998 and $9 in 1997.

9. Earnings per share

A reconciliation of the basic and diluted earnings per share computations for income from continuing operations for the years ended December 31, 1999, 1998 and 1997 is as follows:

	1999		
	Income	Shares	Per Share
Income from continuing operations	$659,159		
Less:			
Preferred stock dividends	(1)		
Preference stock dividends	(150)		
Basic earnings per share	659,008	267,504,030	$2.47
Effect of dilutive securities:			
Preferred stock	1	15,185	
Preference stock	150	1,143,691	
Stock options		3,008,359	
Other		334,878	
Diluted earnings per share	$659,159	272,006,143	$2.42

	1998		
	Income	Shares	Per Share
Income from continuing operations	$542,512		
Less:			
Preferred stock dividends	(1)		
Preference stock dividends	(164)		
Basic earnings per share	542,347	274,977,135	$1.98
Effect of dilutive securities:			
Preferred stock	1	16,863	
Preference stock	164	1,250,592	
Stock options		2,892,149	
Other		519,864	
Diluted earnings per share	$542,512	279,656,603	$1.94

	1997		
	Income	Shares	Per Share
Income from continuing operations	$492,352		
Less:			
Preferred stock dividends	(1)		
Preference stock dividends	(179)		
Basic earnings per share	492,172	288,782,996	$1.70
Effect of dilutive securities:			
Preferred stock	1	21,420	
Preference stock	179	1,355,116	
Stock options		2,068,442	
Other		289,142	
Diluted earnings per share	$492,352	292,517,116	$1.68

10. Taxes on income

Income from continuing operations before income taxes and the provision for income taxes consist of the following:

	Years ended December 31		
	1999	1998	1997
Income from continuing operations before income taxes:			
U.S.	$865,981	$732,214	$ 663,194
Outside the U.S.	118,591	92,390	85,231
Total	$984,572	$824,604	$ 748,425
Provision for income taxes:			
U.S. federal:			
Current	$163,553	$ 87,326	$ 92,517
Deferred	72,927	130,479	108,645
	236,480	217,805	201,162
U.S. state and local:			
Current	42,887	21,046	39,313
Deferred	7,997	23,566	(6,969)
	50,884	44,612	32,344
Outside the U.S.:			
Current	32,236	29,919	33,596
Deferred	5,813	(10,244)	(11,029)
	38,049	19,675	22,567
Total current	238,676	138,291	165,426
Total deferred	86,737	143,801	90,647
Total	$325,413	$282,092	$256,073

Including discontinued operations, the provision for income taxes consists of the following:

	Years ended December 31		
	1999	1998	1997
U.S. federal	$223,699	$236,031	$219,291
U.S. state and local	47,460	45,767	35,213
Outside the U.S.	38,049	19,675	22,567
Total	$309,208	$301,473	$277,071

A reconciliation of the U.S. federal statutory rate to the company's effective tax rate for continuing operations follows:

	1999	1998	1997
U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes	3.4	3.5	2.9
Foreign tax differential	(0.4)	(1.5)	(1.0)
Partnership leasing transactions	(2.7)	(1.5)	(0.3)
Life insurance investment	-	(0.3)	(0.8)
Other	(2.2)	(1.0)	(1.6)
Effective income tax rate	33.1%	34.2%	34.2%

The effective tax rate for discontinued operations in 1999, 1998 and 1997 differs from the statutory rate due primarily to state and local income taxes.

Deferred tax liabilities and (assets)

December 31	1999	1998
Deferred tax liabilities:		
Depreciation	$ 117,657	$ 113,455
Deferred profit (for tax purposes) on sales to finance subsidiaries	429,955	416,941
Lease revenue and related depreciation	855,000	823,914
Loss on the sale of preferred stock	99,781	-
Other	150,276	134,147
Deferred tax liabilities	1,652,669	1,488,457
Deferred tax assets:		
Nonpension postretirement benefits	(122,064)	(122,481)
Inventory and equipment capitalization	(38,348)	(40,745)
Net operating loss carryforwards	(38,175)	(42,950)
Other	(218,797)	(219,947)
Valuation allowance	35,443	39,872
Deferred tax assets	(381,941)	(386,251)
Net deferred taxes	1,270,728	1,102,206
Less: Current net deferred taxes (a)	188,709	181,685
Deferred taxes on income	$1,082,019	$ 920,521

(a) The table of deferred tax liabilities and (assets) above includes $188.7 million and $181.7 million for 1999 and 1998, respectively, of current net deferred taxes, which are included in income taxes payable in the Consolidated Balance Sheets.

The decrease in the deferred tax asset for net operating loss carryforwards and related valuation allowance was mainly due to the utilization of foreign tax loss carryforwards in Germany and Australia. At December 31, 1999 and 1998, approximately $82.9 million and $90.6 million, respectively, of net operating loss carryforwards were available to the company. Most of these losses can be carried forward indefinitely.

11. Retirement plans and nonpension postretirement benefits

The company has several defined benefit and defined contribution pension plans covering substantially all employees worldwide. Benefits are primarily based on employees' compensation and years of service. Company contributions are determined based on the funding requirements of U.S. federal and other governmental laws and regulations.

During 1997, the company announced that it amended its U.S. defined benefit pension plan to a pay equity plan for most of its active U.S. employees. A pay equity plan is a defined benefit pension plan in which pension benefits are defined as a lump sum amount based on final average pay. The prior plan was a defined benefit plan in which pension benefits were defined as annual annuity amounts based on final average pay. In addition, the company enhanced the employer contributions to the U.S. defined contribution plan. The net impact of these changes was a reduction in 1997 U.S. pension plan costs of approximately $15.4 million and a reduction in the projected benefit obligation for the U.S. defined benefit plan of $74.3 million. The reduction in pension costs and the projected benefit obligation result from the fact that the value of pension benefits are lower under the pay equity plan than under the prior plan using the actuarial assumptions disclosed.

The company contributed $19.7 million, $32.0 million and $16.9 million to its defined contribution plans in 1999, 1998 and 1997, respectively.

The change in benefit obligations and plan assets and the funded status for defined benefit pension plans is as follows:

	Pension Benefits			
	United States		Foreign	
December 31	1999	1998	1999	1998
Change in benefit obligation:				
Benefit obligations at beginning of year	$1,030,379	$ 968,950	$ 204,510	$ 179,713
Service cost	24,863	22,754	5,770	5,641
Interest cost	73,340	70,341	12,171	12,293
Amendments	-	-	2,619	1,393
Actuarial (gain) loss	(58,808)	40,708	(2,969)	19,722
Foreign currency changes	-	-	(1,102)	(4,543)
Benefits paid	(73,202)	(72,374)	(10,587)	(9,709)
Benefit obligations at end of year	$ 996,572	$1,030,379	$ 210,412	$ 204,510
Change in plan assets:				
Fair value of plan assets at beginning of year	$1,023,417	$ 959,632	$ 202,579	$ 209,629
Actual return on plan assets	320,251	134,853	30,672	2,819
Company contribution	68,921	1,306	7,782	6,396
Foreign currency changes	-	-	299	(6,556)
Benefits paid	(73,202)	(72,374)	(10,357)	(9,709)
Fair value of plan assets at end of year	$1,339,387	$1,023,417	$ 230,975	$ 202,579
Funded status	$ 342,815	$ (6,962)	$ 20,561	$ (1,931)
Unrecognized actuarial (gain) loss	(315,968)	(23,902)	(7,975)	8,353
Unrecognized prior service cost	(42,535)	(46,318)	4,756	5,448
Unrecognized transition cost	(3,099)	(6,278)	(5,987)	(6,221)
(Accrued) prepaid benefit cost	$ (18,787)	$ (83,460)	$ 11,355	$ 5,649

Amounts recognized in the Consolidated Balance Sheets consist of:				
Prepaid benefit cost	$ 12,887	$ -	$ 19,683	$ 16,181
Accrued benefit liability	(31,674)	(83,460)	(8,328)	(10,532)
Additional minimum liability	-	-	(728)	(136)
Intangible asset	-	-	728	136
(Accrued) prepaid benefit cost	$ (18,787)	$ (83,460)	$ 11,355	$ 5,649
Weighted average assumptions:				
Discount rate	7.75%	7.00%	3.0%-7.0%	3.5%-7.0%
Expected return on plan assets	9.30%	9.30%	4.0%-8.3%	4.0%-8.3%
Rate of compensation increase	4.25%	4.25%	2.0%-4.5%	2.0%-5.0%

At December 31, 1999, 4,900 shares of the company's common stock with a fair value of $.2 million were included in the plan assets of the company's pension plan.

The company provides certain health care and life insurance benefits to eligible retirees and their dependents. The cost of these benefits are recognized over the period the employee provides credited service to the company. Substantially all of the company's U.S. and Canadian employees become eligible for retiree health care benefits after reaching age 55 and with the completion of the required service period. Postemployment benefits included primarily company-provided medical benefits to disabled employees and company-provided life insurance as well as other disability and death-related benefits to former or inactive employees, their beneficiaries and covered dependents.

During 1997, the company amended its retiree medical program for current and future retirees of Pitney Bowes Management Services who will now have increased contributions.

During 1999, the company amended its retiree medical program to increase plan participants' contributions for current and future retirees and to eliminate retiree life insurance for future retirees.

The change in benefit obligations and plan assets and the funded status for nonpension postretirement benefit plans is as follows:

	Nonpension Postretirement Benefits	
December 31	1999	1998
Change in benefit obligation:		
Benefit obligations at beginning of year	$ 314,699	$ 306,722
Service cost	9,003	9,423
Interest cost	15,733	18,952
Plan participants' contributions	1,575	1,305
Actuarial gain	(13,002)	(720)
Foreign currency changes	343	(464)
Benefits paid	(23,781)	(19,938)
Plan amendments	(39,800)	(581)
Benefit obligations at end of year	$ 264,770	$ 314,699

	Nonpension Postretirement Benefits	
December 31	1999	1998
Change in plan assets:		
Fair value of plan assets at beginning of year	$ -	$ -
Company contribution	22,206	18,633
Plan participants' contributions	1,575	1,305
Benefits paid	(23,781)	(19,938)
Fair value of plan assets at end of year	$ -	$ -

Funded status	$(264,770)	$(314,699)
Unrecognized actuarial gain	(15,093)	(2,094)
Unrecognized prior service cost	(34,679)	(7,826)
Accrued benefit cost	$(314,542)	$(324,619)

The assumed weighted average discount rate used in determining the accumulated postretirement benefit obligations was 7.75% in 1999 and 7.0% in 1998.

The components of the net periodic benefit cost for defined pension plans and nonpension postretirement benefit plans are as follows:

	Pension Benefits					
	United States			Foreign		
	1999	1998	1997	1999	1998	1997
Service cost	$ 24,863	$ 22,754	$ 22,780	$ 5,770	$ 5,641	$ 6,771
Interest cost	73,340	70,341	67,111	12,171	12,293	12,515
Expected return on plan assets	(87,845)	(78,100)	(75,518)	(15,936)	(14,779)	(14,676)
Amortization of transition cost	(3,179)	(3,179)	(3,179)	(1,555)	(1,604)	(1,614)
Amortization of prior service costs	(3,784)	(3,784)	(3,766)	1,601	1,595	1,477
Recognized net actuarial loss	854	559	977	1,716	-	7
Net periodic benefit cost	$ 4,249	$ 8,591	$ 8,405	$ 3,767	$ 3,146	$ 4,480

	Nonpension Postretirement Benefits		
	1999	1998	1997
Service cost	$ 9,003	$ 9,423	$ 9,688
Interest cost	15,733	18,952	18,770
Amortization of prior service costs	(12,972)	(15,873)	(16,045)
Recognized net actuarial loss	41	58	-
Net periodic benefit cost	$ 11,805	$ 12,560	$ 12,413

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 7.75% in 1999 and 7.0% in 1998. This was assumed to gradually decline to 4.75% by the year 2003 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in millions):

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 1,238	$ 1,179
Effect on postretirement benefit obligation	$11,581	$11,030

12. Discontinued Operations

On January 14, 2000, the company sold Atlantic Mortgage & Investment Corporation

(AMIC), a wholly-owned subsidiary of the company to ABN AMRO North America. The company received approximately $484 million in cash at closing. In connection with the sale, the company recorded a loss of approximately $27.6 million (net of taxes of $18.4 million) for the year ended December 31, 1999. The transaction is subject to post-closing adjustments.

Revenue of AMIC was $114.9 million, $129.6 million and $73.2 million for the years ended December 31, 1999, 1998, and 1997, respectively. Net interest expense allocated to AMIC's discontinued operation was $5.6 million, $4.9 million and $.1 million for the years ended December 31, 1999, 1998 and 1997, respectively. Interest has been allocated based on AMIC's net intercompany borrowing levels with PBCC, charged at PBCC's weighted average borrowing rate, offset by the interest savings PBCC realizes due to borrowings against AMIC's escrow deposits as opposed to regular commercial paper borrowings.

On October 30, 1998, Colonial Pacific Leasing Corporation (CPLC), a wholly-owned subsidiary of the company, transferred the operations, employees and substantially all assets related to its broker-oriented external financing business to General Electric Capital Corporation (GECC), a subsidiary of the General Electric Company. The company received approximately $790 million at closing. In connection with this transaction, the company recorded a gain of approximately $3.7 million (net of taxes of $2.0 million) for the year ended December 31, 1999. This gain resulted from the settlement of post-closing adjustments in 1999 related to the sale, offset by the cost of settlement with regard to a dispute with GECC over certain assets that were included in the sale.

Revenue of CPLC was $113.8 million and $180.5 million for the years ended December 31, 1998 and 1997, respectively. Income from discontinued operations includes allocated interest expense of $33.9 million and $46.2 million for the years ended December 31, 1998 and 1997, respectively. Interest expense has been allocated based on CPLC's intercompany borrowing levels with PBCC, charged at PBCC's weighted average borrowing rate.

Operating results of both AMIC and CPLC have been segregated and reported as discontinued operations in the Consolidated Statements of Income. Prior year results have been reclassified to conform to the current year presentation. Net assets of AMIC's discontinued operations have been separately classified in the Consolidated Balance Sheet at December 31, 1999. Cash flow impacts of discontinued operations have not been segregated in the Consolidated Statements of Cash Flows. Details of income from discontinued operations, net of income tax, are as follows:

	1999	1998	1997
AMIC	$ 971	$25,429	$16,650
CPLC	-	8,453	17,025
Income from discontinued operations	$ 971	$33,882	$33,675

13. Commitments, contingencies and regulatory matters

The company's finance subsidiaries had no unfunded commitments to extend credit to customers at December 31, 1999. The company evaluates each customer's creditworthiness on a case-by-case basis. Upon extension of credit, the amount and type of collateral obtained, if deemed necessary by the company, is based on management's credit assessment of the customer. Fees received under the agreements are recognized over the commitment period. The maximum risk of loss arises from the possible non-performance of the customer to meet the terms of the credit agreement. As part of the company's review of its exposure to risk, adequate provisions are made for finance assets, which may be uncollectible.

From time to time, the company is a party to lawsuits that arise in the ordinary course of its business. These lawsuits may involve litigation by or against the company to enforce contractual rights under vendor, insurance, or other contracts; lawsuits relating to intellectual property or patent rights; equipment, service or payment disputes with customers; disputes with employees; or other matters. The company is currently a plaintiff or a defendant in a number of lawsuits, none of which should have, in the opinion of management and legal counsel, a material adverse effect on the company's financial position or results of operations.

The company is subject to federal, state and local laws and regulations relating to the environment and is currently named as a member of various groups of potentially responsible parties in administrative or court proceedings. As previously announced by the company, in 1996 the Environmental Protection Agency (EPA) issued an administrative order directing the company to be part of a soil cleanup program at the Sarney Farm site in Amenia, New York. The site was operated as a landfill between the years 1968 and 1970 by parties unrelated to the company, and wastes from a number of industrial sources were disposed there. The company does not concede liability for the condition of the site, but is working with the EPA to identify and then seek reimbursement from, other potentially responsible parties. Based on the facts presently known, the company estimates the total cost of our remediation effort to be approximately $5 million. This amount has been recorded as a liability in the Consolidated Balance Sheet at December 31, 1999. All of these proceedings are at various stages of activity, and it is difficult to estimate with any certainty the total cost of remediating, the timing or extent of remedial actions which may be required by governmental authorities. However, the company does not believe that the outcome of these proceedings will have a material adverse effect on its financial condition or results of operations.

In January 2000, the U.S. Postal Service (USPS) issued a proposed schedule for the phaseout of manually reset electronic meters in the U.S. As of February 1, 2000, new placements of manually reset electronic meters would no longer be permitted. Current users of manually reset electronic meters can continue to use these meters for the term of their current rental and lease agreements. Based on the proposed schedule, the company believes that the phaseout of manually reset electronic meters will not cause a material adverse financial impact on the company.

As a result of the company's aggressive efforts to meet the USPS mechanical meter migration phaseout schedule combined with the company's ongoing and continuing investment in advanced postage evidencing technologies, mechanical meters represented less than 1% of the company's installed U.S. meter base at December 31, 1999, compared with 10% at December 31, 1998. At December 31, 1999, over 99% of the company's installed U.S. meter base is electronic or digital, compared with 90% at December 31, 1998. The company continues to work, in close cooperation with the USPS, to convert those mechanical meter customers who have not migrated to digital or electronic meters.

In May 1995, the USPS publicly announced its concept of its Information Based Indicia Program (IBIP) for future postage evidencing devices. As initially stated by the USPS, the purpose of the program was to develop a new standard for future digital postage evidencing devices which significantly enhanced postal revenue security and supported expanded USPS value-added services to mailers. The program would consist of the development of four separate specifications: (i) the Indicium specification--the technical specifications for the indicium to be printed; (ii) a Postal Security Device specification--the technical specification for the device that would contain the accounting and security features of the system; (iii) a Host specification; and (iv) a Vendor Infrastructure specification.

During the period from May 1995 through December 31, 1999, the company has submitted extensive comments to a series of proposed IBIP specifications issued by the USPS. In July 1999, the USPS issued the latest set of proposed specifications, entitled "Performance Criteria for Information Based Indicia and Security Architecture for Open IBI Postage Evidencing Systems" (the IBI Performance Criteria). The company has submitted comments to the IBI Performance Criteria.

As of December 31, 1999, the company is in the process of finalizing the development of both PC and Internet versions of a product which satisfy the proposed IBI Performance Criteria. These products are currently in the final phase of beta testing and are expected to be ready for market upon final approval from the USPS.

In June 1999, the company was served with a Civil Investigative Demand (CID) from the Justice Department's Antitrust Division. A CID is a tool used by the Antitrust Division for gathering information and documents. The company believes that the Justice Department may be reviewing the company's efforts to protect its intellectual property rights. The company believes it has complied fully with the antitrust laws and is cooperating fully with the department's investigation.

In August 1999, the USPS and the company announced that they had reached an agreement (USPS Settlement) resolving a lawsuit filed by the company in 1997. The lawsuit arose out of a dispute over a 1978 Statement of Understanding authorizing the company to offer Postage by Phone(R), its proprietary version of the Computerized Meter Resetting System. Under the terms of the agreement, the company received $51.8 million, representing a portion of the financial benefit that the USPS obtained as a result of the revised regulations. This payment, net of related legal expenses of $2.2 million, was recorded as other income in the Consolidated Statement of Income for the year ended December 31, 1999.

14. Leases

In addition to factory and office facilities owned, the company leases similar properties, as well as sales and service offices, equipment and other properties, generally under long-term lease agreements extending from three to 25 years. Certain of these leases have been capitalized at the present value of the net minimum lease payments at inception. Amounts included under liabilities represent the present value of remaining lease payments.

Future minimum lease payments under both capital and operating leases at December 31, 1999 are as follows:

Years ending December 31	Capital leases	Operating leases
2000	$ 2,761	$ 56,291
2001	2,621	43,873
2002	2,216	35,173
2003	1,858	23,833
2004	1,354	15,420
Thereafter	538	44,838
Total minimum lease payments	$11,348	$219,428
Less: Amount representing interest	3,367	
Present value of net minimum lease payments	$ 7,981	

Rental expense was $101.2 million, $110.9 million and $116.3 million in 1999, 1998 and 1997, respectively.

15. Financial services

The company has several consolidated finance operations which are engaged in lease financing of the company's products in the U.S., Canada, the U.K., Germany, France, Norway, Ireland, Australia, Austria, Spain, Switzerland and Sweden, as well as other financial services to the commercial and industrial markets in the U.S.

As discussed in Note 12, CPLC transferred the operations, employees and substantially all assets related to its broker-oriented external financing business to GECC in 1998.

On August 21, 1997, the company announced that it had entered into an agreement with GATX Capital Corporation (GATX Capital), a subsidiary of GATX Corporation, which reduced the company's external large-ticket finance portfolio by approximately $1.1 billion. This represented approximately 50% of the company's external large-ticket portfolio and reflects the company's ongoing strategy of focusing on fee- and service-based revenue rather than asset-based income.

Under the terms of the agreement, the company transferred external large-ticket finance assets through a sale to GATX Capital and an equity investment in a limited liability company owned by GATX Capital and the company. The company received approximately $867 million in net cash relating to this transaction during 1997, 1998 and 1999. At December 31, 1999, the company retained approximately $167.1 million of equity investment in a limited liability company along with GATX Capital.

Condensed financial data for the consolidated finance operations follows:

Condensed summary of operations

Years ended December 31	1999	1998	1997
Revenue	$667,757	$600,693	$608,641
Costs and expenses	244,019	184,213	180,100
Interest, net	132,913	139,845	167,490
Total expenses	376,932	324,058	347,590
Income before income taxes	290,825	276,635	261,051
Provision for income taxes	71,312	71,952	72,279
Income from continuing operations	219,513	204,683	188,772
Income from discontinued operations, net of income tax	-	8,453	17,025
Gain on sale of discontinued operations, net of income tax	3,682	-	-
Net income	$223,195	$213,136	$205,797

Condensed balance sheet

December 31	1999	1998
Cash and cash equivalents	$ 142,782	$ 27,057
Finance receivables, net	1,779,696	1,400,786
Accounts receivable	49,413	560,177
Other current assets and prepayments	98,292	54,846
Total current assets	2,070,183	2,042,866
Long-term finance receivables, net	1,907,431	1,999,339

Investment in leveraged leases	969,589	827,579
Other assets	588,678	315,821
Total assets	$5,535,881	$5,185,605
Accounts payable and accrued liabilities	$ 491,036	$ 499,204
Income taxes payable	179,948	146,913
Notes payable and current portion of long-term obligations	933,823	699,453
Total current liabilities	1,604,807	1,345,570
Deferred taxes on income	379,141	349,082
Long-term debt	2,030,551	2,097,737
Other noncurrent liabilities	777	878
Total liabilities	4,015,276	3,793,267
Equity	1,520,605	1,392,338
Total liabilities and equity	$5,535,881	$5,185,605

Finance receivables are generally due in monthly, quarterly or semiannual installments over periods ranging from three to 15 years. In addition, 16% of the company's net finance assets represent secured commercial and private jet aircraft transactions with lease terms ranging from two to 23 years. The company considers its credit risk for these leases to be minimal since all aircraft lessees are making payments in accordance with lease agreements. The company believes any potential exposure in aircraft investment is mitigated by the value of the collateral as the company retains a security interest in the leased aircraft.

Maturities of gross finance receivables and notes payable for the finance operations are as follows:

Years ending December 31	Gross finance receivables	Notes payable, current and long-term debt
2000	$2,061,297	$ 933,823
2001	873,138	482,000
2002	571,388	100,000
2003	284,569	400,000
2004	90,149	-
Thereafter	211,275	1,048,551
Total	$4,091,816	$2,964,374

Finance operations' net purchases of Pitney Bowes equipment amounted to $795.4 million, $750.8 million and $667.3 million in 1999, 1998 and 1997, respectively. The components of net finance receivables were as follows:

December 31	1999	1998
Gross finance receivables	$4,091,816	$3,902,585
Residual valuation	498,386	479,777
Initial direct cost deferred	53,439	55,176
Allowance for credit losses	(104,721)	(130,775)
Unearned income	(851,793)	(906,638)
Net finance receivables	$3,687,127	$3,400,125

The company's net investment in leveraged leases is composed of the following elements:

December 31	1999	1998
Net rents receivable	$1,169,114	$ 955,563
Unguaranteed residual valuation	623,003	608,858
Unearned income	(822,528)	(736,842)
Investment in leveraged leases	969,589	827,579
Deferred taxes arising from leveraged leases	(611,717)	(477,814)
Net investment in leveraged leases	$ 357,872	$ 349,765

Following is a summary of the components of income from leveraged leases:

Years ended December 31	1999	1998	1997
Pretax leveraged lease income	$35,954	$20,671	$6,797
Income tax effect	5,761	9,990	16,110
Income from leveraged leases	$41,715	$30,661	$22,907

Leveraged lease assets acquired by the company are financed primarily through nonrecourse loans from third-party debt participants. These loans are secured by the lessee's rental obligations and the leased property. Net rents receivable represent gross rents less the principal and interest on the nonrecourse debt obligations. Unguaranteed residual values are principally based on independent appraisals of the values of leased assets remaining at the expiration of the lease.

Leveraged lease investments include $289.4 million related to commercial real estate facilities, with original lease terms ranging from 17 to 25 years. Also included are ten aircraft transactions with major commercial airlines, with a total investment of $299.0 million with original lease terms ranging from 22 to 25 years and transactions involving locomotives, railcars and rail and bus facilities, with a total investment of $381.2 million and original lease terms ranging from 15 to 44 years.

The company has sold net finance receivables with varying amounts of recourse in privately placed transactions with third-party investors. The uncollected principal balance of receivables sold and guarantee contracts totaled $571.8 million and $545.0 million at December 31, 1999 and 1998, respectively. The maximum risk of loss 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. Conversely, these contracts are supported by the underlying equipment value and creditworthiness of customers. As part of the review of its exposure to risk, the company believes adequate provisions have been made for sold receivables, which may be uncollectible.

The company has invested in various types of equipment under operating leases; the net investment at December 31, 1999 and 1998 was not significant.

16. Business segment information

For a description of the company's reportable segments and the types of products and services from which each reportable segment derives its revenue, see "Overview" on page 37. That information is incorporated herein by reference. The information set forth below should be read in conjunction with such information. The accounting policies of the segments are the same as those described in the summary of significant accounting policies, with the exception of the items outlined below.

Operating profit of each segment is determined by deducting from revenue the related costs and operating expenses directly attributable to the segment. Segment operating profit excludes general corporate expenses, income taxes and net interest attributable to corporate debt. Interest from financial services businesses includes intercompany interest. Identifiable assets are those used in the company's operations and exclude cash and cash equivalents, short-term investments and general corporate assets. Long-lived assets exclude finance receivables, investment in leveraged leases and mortgage servicing rights.

Revenue and operating profit by business segment and geographic area for the years ended 1997 to 1999 were as follows:

	Revenue		
(Dollars in millions)	1999	1998	1997
Business segments:			
Mailing and Integrated Logistics	$2,992	$2,707	$2,552
Office Solutions	1,266	1,216	1,089
Capital Services	175	168	206
Total	$4,433	$4,091	$3,847
Geographic areas:			
United States	$3,796	$3,505	$3,285
Outside the United States	637	586	562
Total	$4,433	$4,091	$3,847

	Operating Profit		
(Dollars in millions)	1999	1998	1997
Business segments:			
Mailing and Integrated Logistics	$ 798	$ 660	$ 582
Office Solutions	242	235	197
Capital Services	51	52	48
Total	$1,091	$ 947	$ 827
Geographic areas:			
United States	$ 978	$ 860	$ 748
Outside the United States	113	87	79
Total	$1,091	$ 947	$ 827

Additional segment information is as follows:

	Years ended December 31		
(Dollars in millions)	1999	1998	1997
Depreciation and amortization:			
Mailing and Integrated Logistics	$ 178	$ 177	$ 167

Office Solutions	101	88	74
Capital Services	32	16	15
Total	$ 311	$ 281	$ 256
Net interest expense:			
Mailing and Integrated Logistics	$ 73	$ 63	$ 58
Office Solutions	6	5	5
Capital Services	54	72	104
Total	$ 133	$ 140	$ 167
Net additions to long-lived assets:			
Mailing and Integrated Logistics	$ 164	$ 177	$ 176
Office Solutions	134	123	98
Capital Services	8	16	(42)
Total	$ 306	$ 316	$ 232

	December 31	
(Dollars in millions)	1999	1998
Identifiable assets:		
Mailing and Integrated Logistics	$4,364	$3,893
Office Solutions	959	879
Capital Services	1,945	2,012
Total	$7,268	$6,784
Identifiable long-lived assets by geographic areas:		
United States	$1,594	$1,561
Outside the United States	215	195
Total	$1,809	$1,756

Reconciliation of segment amounts to consolidated totals:

	Years ended December 31		
(Dollars in millions)	1999	1998	1997
Operating profit:			
Total operating profit for reportable segments	$1,091	$ 947	$ 827
Unallocated amounts:			
Net interest (corporate interest expense, net of intercompany transactions)	(46)	(17)	9
Corporate expense	(110)	(105)	(88)
USPS Settlement	50	-	-
Income from continuing operations before income taxes	$ 985	$ 825	$ 748
Net interest expense:			
Total interest expense for reportable segments	$ 133	$ 140	$ 167

Net interest (corporate interest expense, net of intercompany transactions)	46	17	(9)
Consolidated net interest expense	$ 179	$ 157	$ 158
Depreciation and amortization:			
Total depreciation and amortization for reportable segments	$ 311	$ 281	$ 256
Corporate depreciation	13	14	13
Discontinued operations	88	66	31
Consolidated depreciation and amortization	$ 412	$ 361	$ 300
Net additions to long-lived assets:			
Total additions for reportable segments	$ 306	$ 316	$ 232
Unallocated amounts	9	6	10
Discontinued operations	1	3	8
Consolidated additions to long-lived assets	$ 316	$ 325	$ 250

	December 31	
(Dollars in millions)	1999	1998
Total assets:		
Notal identifiable assets by reportable segments	$7,268	$6,784
Cash and cash equivalents and short-term investments	257	129
General corporate assets	217	138
Discontinued operations	481	610
Consolidated assets	$8,223	$7,661

17. Fair value of financial instruments
The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash, cash equivalents, short-term investments, accounts receivable, accounts payable and notes payable

The carrying amounts approximate fair value because of the short maturity of these instruments.

Investment securities

The fair value of investment securities is estimated based on quoted market prices, dealer quotes and other estimates.

Loans receivable

The fair value of loans receivable is estimated based on quoted market prices, dealer quotes or by discounting the future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and similar remaining maturities.

Long-term debt

The fair value of long-term debt is estimated based on quoted dealer prices for the same or similar issues.

Interest rate swap agreements and foreign currency exchange contracts

The fair values of interest rate swaps and foreign currency exchange contracts are obtained from dealer quotes. These values represent the estimated amount the company would receive or pay to terminate agreements taking into consideration current interest rates, the creditworthiness of the counterparties and current foreign currency exchange rates.

Mortgage servicing rights (MSR) hedge

The fair values of the MSR hedge are obtained from the dealer quotes. The interest rate swap portion represents the estimated amount the company would receive or pay to terminate the agreements, taking into consideration current interest rates and creditworthiness of the counterparties. The interest rate floor portion represents the difference between the market value and amounts paid to enter into the contracts.

Residual, conditional commitment and financial guarantee contracts

The fair values of residual and conditional commitment guarantee contracts are based on the projected fair market value of the collateral as compared to the guaranteed amount plus a commitment fee generally required by the counterparty assuming the guarantee. The fair value of financial guarantee contracts represents the estimate of expected future losses.

Transfer of receivables with recourse

The fair value of the recourse liability represents the estimate of expected future losses. The company periodically evaluates the adequacy of reserves and estimates of expected losses; if the resulting evaluation of expected losses differs from the actual reserve, adjustments are made to the reserve.

The estimated fair value of the company's financial instruments at December 31, 1999 is as follows:

	Carrying value(a)	Fair value
Investment securities	$14,748	$16,380
Loans receivable	$614,712	$625,582
Long-term debt	$(2,225,165)	$(2,223,452)
Interest rate swaps	$(272)	$(13,740)
Foreign currency exchange contracts	$1,240	$(489)
Residual, conditional commitment and financial guarantee contracts	-	$(5,800)
Transfer of receivables with recourse	$(64,662)	$(64,662)

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

The estimated fair value of the company's financial instruments at December 31, 1998 is as follows:

	Carrying value(a)	Fair value
Investment securities	$9,022	$9,898
Loans receivable	$453,558	$469,159
Long-term debt	$(1,954,434)	$(2,058,237)
Interest rate swaps	$(2,142)	$(31,912)
Foreign currency exchange contracts	$1,867	$652
MSR hedge	$3,950	$2,864

Residual, conditional commitment and financial guarantee contracts	$(2,077)	$ (3,460)
Transfer of receivables with recourse	$(42,805)	$ (42,805)

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

18. Quarterly financial data (unaudited)

Summarized quarterly financial data (dollars in millions, except for per share data) for 1999 and 1998 follows:

1999	Three Months Ended March 31	June 30	Sept. 30	Dec. 31
Total revenue	$1,049	$1,105	$1,090	$1,188
Cost of sales and rentals and financing	$ 408	$ 424	$ 419	$ 440
Income from continuing operations	$ 138	$ 158	$ 186	$ 177
Discontinued operations	4	(28)	-	1
Net income	$ 142	$ 130	$ 186	$ 178
Basic earnings per share:				
Continuing operations	$ .52	$ .58	$ .70	$ .67
Discontinued operations	.01	(.10)	-	-
Net income	$ .53	$ .48	$ .70	$ .67
Diluted earnings per share:				
Continuing operations	$ .51	$ .58	$ .69	$ .66
Discontinued operations	.01	(.10)	-	-
Net income	$ .52	$ .48	$ .69	$ .66

1998	Three Months Ended March 31	June 30	Sept. 30	Dec. 31
Total revenue	$ 954	$1,015	$1,013	$1,109
Cost of sales and rentals and financing	$ 378	$ 394	$ 385	$ 408
Income from continuing operations	$ 123	$ 133	$ 133	$ 154
Discontinued operations	7	9	8	9
Net income	$ 130	$ 142	$ 141	$ 163
Basic earnings per share:				
Continuing operations	$ .43	$ .49	$ .49	$ .57
Discontinued operations	.03	.03	.03	.03
Net income	$ .46	$ .52	$ .52	$ .60
Diluted earnings per share:				
Continuing operations	$ .43	$ .48	$ .48	$ .56
Discontinued operations	.03	.03	.03	.03

Net income	$ .46	$ .51	$ .51	$ .59

The sum of the quarters of 1999 and 1998 may not equal the annual amount due to rounding.

Report of Independent Accountants

To the Stockholders and Board of Directors of Pitney Bowes Inc.:
In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Pitney Bowes Inc. and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Stamford, Connecticut
January 20, 2000

Stockholder Information
World Headquarters
Pitney Bowes Inc.
1 Elmcroft Rd.
Stamford, CT 06926-0700
(203) 356-5000

www.pitneybowes.com

Annual Meeting

Stockholders are cordially invited to attend the 2000 Annual Meeting at 9:00 a.m., Monday, May 8, 2000, at Pitney Bowes World Headquarters in Stamford, Connecticut. A notice of the meeting, proxy statement and proxy will be mailed to each stockholder under separate cover.

10-K Report
The Form 10-K report, to be filed by Pitney Bowes with the Securities and Exchange Commission, will provide certain additional information. Stockholders may obtain copies of this report without charge by writing to:

MSC 6140
Investor Relations
Pitney Bowes Inc.
1 Elmcroft Rd.
Stamford, CT 06926-0700

Stock Exchanges
Pitney Bowes common stock is traded under the symbol "PBI." The principal market it is listed on is the New York Stock Exchange. The stock is also traded on the Chicago, Philadelphia, Boston, Pacific and Cincinnati stock exchanges.

Comments concerning the Annual Report should be sent to:
MSC 6309
Director Corporate Marketing and Advertising
Pitney Bowes Inc.
1 Elmcroft Rd.
Stamford, CT 06926-0700

Investor Inquiries
All investor inquiries about Pitney Bowes should be addressed to:

MSC 6140
Investor Relations
Pitney Bowes Inc.
1 Elmcroft Rd.
Stamford, CT 06926-0700

Transfer Agent and Registrar:
EquiServe LP
(Formerly First Chicago Company of New York)
PO Box 2500
Jersey City, NJ 07303-2500

Stockholders may call EquiServe at (800) 648-8170.
http://www.equiserve.com
e-mail: equiserve@equiserve.com

Stockholder Inquiries
Communications concerning transfer requirements, lost certificates, dividends, change of address or other stockholder inquiries may be made by calling (800) 648-8170, TDD phone service for the hearing impaired (201) 222-4955, for foreign holders (201) 324-1225, or by writing to the address above.

Dividend Reinvestment Plan

Owners of Pitney Bowes Inc. common stock may purchase common stock, $1 par value, with their dividends through the Dividend Reinvestment Plan. A prospectus and enrollment card may be obtained by calling (800) 648-8170 or by writing to the agent at the address above.

Direct Deposit of Dividends
For information about direct deposit of dividends, please call (800) 648-8170 or write to the agent at the address above.

Duplicate Mailings
If you receive duplicate mailings because you have more than one account listing, you may wish to save your company money by consolidating your accounts. Please write to the agent at the address above.

Stock Information
Dividends per common share

Quarter	1999	1998
First	$ .255	$ .225
Second	.255	.225
Third	.255	.225
Fourth	.255	.225
Total	$1.020	$ .900

Quarterly price ranges of common stock

Quarter	1999 High	1999 Low
First	71 3/16	60 1/16
Second	73 5/16	61 1/16
Third	72 1/2	55 3/4
Fourth	63 13/16	40 7/8

Quarter	1998 High	1998 Low
First	51 5/16	42 7/32
Second	52 3/16	44 13/16
Third	58 3/16	46 5/8
Fourth	66 3/8	47 1/8

Trademarks

3 Series, 14 Series, AccuTrac, AddressRight, Arrival, Ascent, ClickStamp, Conquest, D3, DirectNet, DocuMatch, Finalist, ForwardTrak, Fulfillment, Galaxy, iSend, Mail Essentials, Mail List Manager, Mailers Choice, Paragon, Personal Post, PitneyWorks, Postage by Phone, ReUnion, Smart Image, SmartMailer, StreamWeaver, Target Prospects, Universal Access, ValueShip, Weigh-on-the-Way are trademarks or service marks of Pitney Bowes Inc.

Business Rewards, Postal Privilege, Purchase Power, Reserve Account, ValueMax, are trademarks or service marks of Pitney Bowes Financial Services.
All other trademarks are service marks owned by their respective companies.

PITNEY BOWES INC.
SUBSIDIARIES OF THE REGISTRANT

The Registrant, Pitney Bowes Inc., a Delaware Corporation, has no parent.

The following are subsidiaries of the Registrant
(as of December 31, 1999)

Company name	Country or state of incorporation
Adrema Leasing Corporation	Delaware
Adrema Maschinen - und - Auto Leasing GmbH	Germany
Adrema Maschinenbau Inc.	Delaware
Adrema Mobilien Leasing GmbH	Germany
Andeen Enterprises, Inc.	Panama
Artec International Corporation	California
Atlantic Mortgage & Investment Corporation	Florida
B. Williams Holdings Corp.	Delaware
B. Williams Funding Corp.	Delaware
Canadian Office Services (Toronto) Limited	Canada
Cascade Microfilm Systems, Inc.	California
Chas. P. Young Health Fitness & Management, Inc.	New York
CPLC Inc.	Delaware
Datarite Systems Ltd.	England
ECL Finance Company, N.V.	Netherlands
Elmcroft Road Realty Corporation	Connecticut
FSL Holdings Inc.	Connecticut
FSL Risk Managers Inc.	New York
Harlow Aircraft Inc.	Delaware
Informatech	California
La Agricultora Ecuatoriana S.A.	Ecuador
Lease Continental GmbH	Germany
Lease Continental Partnership	
MXT Inc.	Canada
Norlin Australia Investments Pty. Ltd.	Australia
Norlin Industries Ltd.	Canada
Norlin Music (U.K.) Ltd.	England
Oy Adrema Helsinki	Finland
PB Air Inc.	Nevada
PB Australia Funding Pty. Ltd.	Australia
PB Canada Funding Ltd.	Canada
PB Equipment Management Inc.	Delaware
PB Forms, Inc.	Nebraska
PB Funding Corporation	Delaware
PB Global Holdings Inc.	Connecticut
PB Global Holdings II Inc.	Connecticut
PB Global Holdings III Inc.	Connecticut
PB Global Holdings IV Inc.	Connecticut
PB Lease Holdings Inc.	Nevada
PB Leasing Corporation	Delaware
PB Leasing International Corporation	Delaware
PB Leasing June Ltd.	England
PB Leasing March Ltd.	England
PB Leasing September Ltd.	England
PB Leasing Services Inc.	Nevada
PB Miles Inc.	Delaware
PB Municipal Funding Inc.	Nevada
PB/PREFCO Real Estate Holdings Inc.	Delaware

PB Production International Corporation	Delaware
PB Professional Services Inc.	Delaware
PB Public Finance Inc.	Delaware
PBA Foreign Sales Corporation	Barbados
PB World Trade Corporation (Disc)	Delaware

SUBSIDIARIES OF THE REGISTRANT (continued)

Company name	Country or state of incorporation
PB CFSC I Inc.	Virgin Islands
PB Nikko FSC Ltd.	Bermuda
PB Nihon FSC Ltd.	Bermuda
Pitney Bowes Australia Pty.	Australia
Pitney Bowes Australia FAS Pty. Limited	Australia
Pitney Bowes Austria Ges.m.b.H	Austria
Pitney Bowes of Canada Ltd.	Canada
Pitney Bowes Canada Holdings Limited	Canada
Pitney Bowes China Inc.	Delaware
Pitney Bowes Credit Australia Limited	Australia
Pitney Bowes Credit Corporation	Delaware
Pitney Bowes Data Systems, Ltd.	Delaware
Pitney Bowes de Mexico, S.A. de C.V.	Mexico
Pitney Bowes Deutschland GmbH	Germany
Pitney Bowes Espana, S.A.	Spain
Pitney Bowes Finance S.A.	France
Pitney Bowes Finans Norge AS	Norway
Pitney Bowes Finance PLC (formerly PB Leasing Ltd.)	England
Pitney Bowes Finance Ireland Limited	Ireland
Pitney Bowes France S.A.	France
Pitney Bowes Holdings Ltd.	England
Pitney Bowes Holding SNC	France
Pitney Bowes Hong Kong Inc.	Delaware
Pitney Bowes Hong Kong Ltd.	Hong Kong
Pitney Bowes India Inc.	Delaware
Pitney Bowes Insurance Agency, Inc.	Connecticut
Pitney Bowes International	Ireland
Pitney Bowes International Funding	Ireland
Pitney Bowes International Holdings, Inc.	Delaware
Pitney Bowes Italia S.r.l.	Italy
Pitney Bowes Japan KK	Japan
Pitney Bowes Leasing International LP	
Pitney Bowes (Ireland) Limited	Ireland
Pitney Bowes (Macau) Limited	Macau
Pitney Bowes Management Services, Inc.	Delaware
Pitney Bowes Management Services Canada, Inc.	Canada
Pitney Bowes Management Services Limited	England
Pitney Bowes New Zealand Limited	New Zealand
Pitney Bowes Nova Scotia ULC	Canada
Pitney Bowes Oy	Finland
Pitney Bowes Limited	England
Pitney Bowes Properties Inc.	Connecticut
Pitney Bowes Real Estate Financing Corporation	Delaware
Pitney Bowes Servicios, S.A. de C.V.	Mexico
Pitney Bowes Shelton Realty Inc.	Connecticut
Pitney Bowes Svenska Aktiebolag	Sweden
Pitney Bowes (Switzerland) AG	Switzerland
Pitney Bowes World Trade Corporation	Virgin Islands
Pitney Structured Funding I Inc.	Delaware

SUBSIDIARIES OF THE REGISTRANT (continued)

Company name	Country or state of incorporation
PREFCO I Inc.	Delaware
PREFCO I LP Inc.	Delaware
PREFCO II Inc.	Delaware
PREFCO III Inc.	Delaware
PREFCO III LP Inc.	Delaware
PREFCO IV Inc.	Delaware
PREFCO IV LP Inc.	Delaware
PREFCO V Inc.	Delaware
PREFCO V LP Inc.	Delaware
PREFCO VI Inc.	Delaware
PREFCO VI LP Inc.	Delaware
PREFCO VII Inc.	Delaware
PREFCO VII LP Inc.	Delaware
PREFCO VIII Inc.	Delaware
PREFCO VIII LP Inc.	Delaware
PREFCO IX Inc.	Delaware
PREFCO IX LP Inc.	Delaware
PREFCO X Inc.	Delaware
PREFCO XI Inc.	Delaware
PREFCO XI LP Inc.	Delaware
PREFCO XII Inc.	Delaware
PREFCO XII LP Inc.	Delaware
PREFCO XIII Inc.	Delaware
PREFCO XIII LP Inc.	Delaware
PREFCO XIV Inc.	Delaware
PREFCO XIV LP Inc.	Delaware
PREFCO XV Inc.	Delaware
PREFCO XV LP Inc.	Delaware
PREFCO XVI Inc.	Delaware
PREFCO XVI LP Inc.	Delaware
PREFCO XVII Inc.	Delaware
PREFCO XVII LP Inc.	Delaware
PREFCO XVIII Inc.	Delaware
PREFCO XVIII LP Inc.	Delaware
PREFCO XIX Inc.	Delaware
PREFCO XIX LP Inc.	Delaware
PREFCO XX Inc.	Delaware
PREFCO XXI Inc.	Delaware
PREFCO XXI LP Inc.	Delaware
PREFCO XXII Inc.	Delaware
PREFCO XXII LP Inc.	Delaware
PREFCO - Dayton Community Urban Redevelopment Corporation	Ohio
Remington Customer Finance Pty. Limited	Australia
ROM Holding Pty. Limited	Australia
ROM Securities Pty. Limited	Australia
Sales & Service Training Center Inc.	Georgia
Techno Mail Service K.K.	Japan

SUBSIDIARIES OF THE REGISTRANT (continued)

Country or
state of

Company name	incorporation
The Pitney Bowes Bank, Inc.	Utah
Time-Sensitive Delivery Guide Inc.	Delaware
Tower FSC, Ltd.	Bermuda
Universal Postal Frankers Ltd.	England
Waterview Resolution Trust Corporation	Massachusetts
Wheeler Insurance, Ltd.	Vermont
1136 Corporation	Delaware
75 V Corp.	Delaware

EXHIBIT (viii)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on:

Form	Reference
Form S-8	No. 33-5291
Form S-8	No. 33-4549
Form S-8	No. 33-22238
Form S-8	No. 33-5765
Form S-8	No. 33-41182
Form S-8	No. 333-66735
Form S-3	No. 33-5289
Form S-3	No. 33-5290
Form S-3	No. 33-18280
Form S-3	No. 33-25730
Form S-3	No. 33-21723
Form S-3	No. 33-27244
Form S-3	No. 33-33948
Form S-3	No. 333-51281

of Pitney Bowes Inc. of our report dated January 20, 2000 appearing on page 69 of the Pitney Bowes Inc. 1999 Annual Report to Stockholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference in the aforementioned Registration Statements of our report on the financial statement schedule, which appears on page 18 of this Form 10-K.

PricewaterhouseCoopers LLP

Stamford, Connecticut
March 30, 2000

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC.
CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME AND CORRESPONDING
FOOTNOTE #3 FIXED ASSETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
FINANCIAL STATEMENTS.
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<EPS-DILUTED> 2.34
<FN>
<F1> Receivables are comprised of trade receivables of $460,940 and short-term finance receivables of $1,827,752. Allowances are comprised of allowance for trade receivables of $28,716 and for short-term finance receivables of $48,056.
<F2> Property, plant and equipment are comprised of fixed assets of $1,187,198 and rental equipment and related inventories of $1,706,306. Depreciation is comprised of depreciation of fixed assets of $703,017 and on rental equipment and related inventories of $895,518.
</FN>