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

FORM 10 - Q

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

For the quarterly period ended March 31, 1998

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

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_____

Number of shares of common stock, $1 par value, outstanding as of April 30, 1998 is 273,568,575.

Pitney Bowes Inc.
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Part I - Financial Information

Item 1. Financial Statements

Pitney Bowes Inc.
Consolidated Statements of Income
(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997
Revenue from:		
Sales....................................	$ 450,425	$ 417,822
Rentals and financing....................	438,160	424,562
Support services.........................	122,989	118,986
Total revenue.........................	1,011,574	961,370
Costs and expenses:		
Cost of sales............................	275,000	253,808
Cost of rentals and financing............	138,379	127,674
Selling, service and administrative......	330,982	326,109
Research and development.................	23,631	20,648
Interest, net............................	45,585	49,496
Total costs and expenses..............	813,577	777,735
Income before income taxes.................	197,997	183,635
Provision for income taxes.................	68,310	63,690
Net income.................................	$ 129,687	$ 119,945
Basic earnings per share	$ .46	$ .41
Diluted earnings per share	$ .46	$ .40

Dividends declared per share of common stock	$ .225	$ .20
Ratio of earnings to fixed charges	4.13	3.77
Ratio of earnings to fixed charges excluding minority interest	4.41	3.92

Pitney Bowes Inc.
Consolidated Balance Sheets

(Dollars in thousands, except share data)	March 31, 1998	December 31, 1997
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 117,200	$ 137,073
Short-term investments, at cost which approximates market	34,597	1,722
Accounts receivable, less allowances: 3/98, $21,962; 12/97, $21,129	347,263	348,792
Finance receivables, less allowances: 3/98, $57,519; 12/97, $54,170	1,726,328	1,546,542
Inventories (Note 2)	241,553	249,207
Other current assets and prepayments	209,618	180,179
Total current assets	2,676,559	2,463,515
Property, plant and equipment, net (Note 3)	495,189	497,261
Rental equipment and related inventories, net (Note 3)	799,377	788,035
Property leased under capital leases, net (Note 3)	4,219	4,396
Long-term finance receivables, less allowances: 3/98, $74,540; 12/97, $78,138	2,473,189	2,581,349
Investment in leveraged leases	758,932	727,783
Goodwill, net of amortization: 3/98, $42,522; 12/97, $40,912	204,058	203,419
Other assets	902,075	627,631
Total assets	$ 8,313,598	$ 7,893,389
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 937,532	$ 878,759
Income taxes payable	169,777	147,921
Notes payable and current portion of long-term obligations	1,718,449	1,982,988
Advance billings	377,343	363,565
Total current liabilities	3,203,101	3,373,233
Deferred taxes on income	937,507	905,768
Long-term debt (Note 4)	1,626,870	1,068,395
Other noncurrent liabilities	368,906	373,416

Total liabilities	6,136,384	5,720,812
Preferred stockholders' equity in a subsidiary company	300,000	300,000
Stockholders' equity:		
Cumulative preferred stock, $50 par value, 4% convertible	34	39
Cumulative preference stock, no par value, $2.12 convertible	2,159	2,220
Common stock, $1 par value	323,338	323,338
Capital in excess of par value	25,120	28,028
Retained earnings	2,811,675	2,744,929
Accumulated other comprehensive income	(73,387)	(63,348)
Treasury stock, at cost	(1,211,725)	(1,162,629)
Total stockholders' equity	1,877,214	1,872,577
Total liabilities and stockholders' equity	$ 8,313,598	$ 7,893,389

Pitney Bowes Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(Dollars in thousands)	Three Months Ended March 31, 1998	1997*
Cash flows from operating activities:		
Net income	$ 129,687	$ 119,945
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	79,916	73,905
Increase in deferred taxes on income	32,864	80,599
Change in assets and liabilities:		
Accounts receivable	(671)	12,222
Sales-type lease receivables	(21,602)	(23,640)
Inventories	6,641	15,447
Other current assets and prepayments	(30,534)	(12,243)
Accounts payable and accrued liabilities	64,824	3,844
Income taxes payable	21,743	(29,099)
Advance billings	15,590	12,549
Other, net	(26,330)	(14,063)
Net cash provided by operating activities	272,128	239,466
Cash flows from investing activities:		
Short-term investments	(33,314)	(10,836)
Net investment in fixed assets	(79,074)	(60,251)
Net investment in finance receivables	(162,512)	5,400
Investment in leveraged leases	(34,151)	(8,219)
Investment in mortgage servicing rights	(159,607)	(39,850)
Other investing activities	378	7,320
Net cash used in investing activities	(468,280)	(106,436)
Cash flows from financing activities:		
(Decrease) increase in notes payable, net	(258,098)	280,101

Proceeds from issuance of long-term obligations....................................	554,123	-
Principal payments on long-term obligations......	(4,205)	(204,507)
Proceeds from issuance of stock.................	5,546	5,004
Stock repurchases...............................	(56,452)	(145,507)
Dividends paid..................................	(62,941)	(59,184)
Net cash provided by (used in) financing activities..............................	177,973	(124,093)
Effect of exchange rate changes on cash...........	(1,694)	(1,490)
(Decrease) increase in cash and cash equivalents...	(19,873)	7,447
Cash and cash equivalents at beginning of period...	137,073	135,271
Cash and cash equivalents at end of period.........	$ 117,200	$ 142,718
Interest paid......................................	$ 34,869	$ 49,766
Income taxes paid, net.............................	$ 14,922	$ 15,609

<FN>
* Certain prior year amounts have been reclassified to conform with the 1998 presentation.
</FN>

Pitney Bowes Inc.
Notes to Consolidated Financial Statements

Note 1:
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The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of Pitney Bowes Inc. ("the company"), all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position of the company as of March 31, 1998 and the results of its operations and cash flows for the three months ended March 31, 1998 and 1997 have been included. Operating results for the three months ended March 31, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. These statements should be read in conjunction with the financial statements and notes thereto included in the company's 1997 Annual Report to Stockholders on Form 10-K.

Note 2:
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Inventories are comprised of the following:

(Dollars in thousands)	March 31, 1998	December 31, 1997
Raw materials and work in process..................	$ 51,928	$ 51,429
Supplies and service parts.........................	92,259	93,064
Finished products..................................	97,366	104,714
Total..	$ 241,553	$ 249,207

Note 3:
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Fixed assets are comprised of the following:

(Dollars in thousands)	March 31, 1998	December 31, 1997
Property, plant and equipment......................	$1,132,145	$ 1,120,325
Accumulated depreciation...........................	(636,956)	(623,064)
Property, plant and equipment, net.................	$ 495,189	$ 497,261
Rental equipment and related inventories...........	$1,647,779	$ 1,577,370
Accumulated depreciation...........................	(848,402)	(789,335)
Rental equipment and related inventories, net.......	$ 799,377	$ 788,035
Property leased under capital leases................	$ 19,281	$ 20,507
Accumulated amortization...........................	(15,062)	(16,111)
Property leased under capital leases, net...........	$ 4,219	$ 4,396

Note 4:
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As part of the company's non-financial services shelf registrations, a medium-term note facility exists permitting issuance of up to $100 million in debt securities with maturities ranging from more than one year to 30 years of which $32 million remained available at March 31, 1998. On April 29, 1998, the company filed a non-financial services shelf registration with the Securities and Exchange Commission (SEC), which combined with the $32 million that remained available at March 31, 1998, will permit issuance of up to $500 million in debt securities.

On January 22, 1998, the company issued notes amounting to $300 million remaining under a non-financial services shelf registration filed with the SEC. These unsecured notes bear annual interest at 5.95% and mature in February 2005. The net proceeds from these notes are being used for general corporate purposes, including the repayment of short-term debt.

On January 16, 1998, Pitney Bowes Credit Corporation (PBCC), a wholly-owned subsidiary of the company issued notes amounting to $250 million remaining under a shelf registration filed with the SEC. These unsecured notes bear annual interest at 5.65% and mature in January 2003. The proceeds from these notes are being used for PBCC's financing needs during 1998.

Note 5:
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A reconciliation of the basic and diluted earnings per share computations for the three months ended March 31, 1998 and 1997 is as follows (in thousands, except per share data):

	1998			1997		
	Income	Shares	Per Share	Income	Shares	Per Share

Net income	$129,687			$ 119,945		
Less:						
Preferred stock dividends	-			-		
Preference stock dividends	(42)			(46)		
Basic earnings per share	$129,645	279,408	$ .46	$ 119,899	294,630	$ .41
Effect of dilutive securities:						
Preferred stock	-	17		-	22	
Preference stock	42	1,292		46	1,389	
Stock options		2,718			1,662	
Employee stock purchase plan shares		436			270	
Diluted earnings per share	$129,687	283,871	$ .46	$ 119,945	297,973	$ .40

Note 6:

Revenue and operating profit by business segment for the three months ended March 31, 1998 and 1997 were as follows:

(Dollars in thousands)	1998	1997
Revenue		
Business equipment...................	$ 784,664	$ 745,120
Business services....................	156,070	128,990
Commercial and industrial financing		
Large-ticket external........	33,748	49,551
Small-ticket external........	37,092	37,709
	70,840	87,260
Total revenue................................	$ 1,011,574	$ 961,370
Operating Profit (1)		
Business equipment...................	$ 189,869	$ 169,411
Business services....................	13,923	10,488
Commercial and industrial financing...	12,803	16,511
Total operating profit........................	$ 216,595	$ 196,410

<FN>
(1) Operating profit excludes general corporate expenses, income taxes, and net interest other than that related to finance operations.
</FN>

Note 7:

Comprehensive income for the three months ended March 31, 1998 and 1997 was as follows:

(Dollars in thousands)

	1998	1997
Net income.................................	$129,687	$119,945
Other comprehensive income:		
Foreign currency translation adjustments....	(10,039)	(22,791)
Comprehensive income.......................	$119,648	$ 97,154

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

Results of Operations - first quarter of 1998 vs. first quarter of 1997

Revenue increased five percent in the first quarter of 1998 to $1,011.6 million compared with $961.4 million in the first quarter of 1997. Net income increased eight percent to $129.7 million from $119.9 million for the same period in 1997. Diluted earnings per share grew to 46 cents, a 13.4 percent increase from the first quarter of 1997. Revenue growth was eight percent excluding revenue from the Commercial and Industrial Financing segment. The decrease in Commercial and Industrial Financing revenue resulted from the planned reductions in the external lease financing portfolio.

First quarter 1998 revenue included $450.4 million from sales, up eight percent from $417.8 million in the first quarter of 1997; $438.2 million from rentals and financing, up three percent from $424.6 million; and $123.0 million from support services, up three percent from $119.0 million.

In the Business Equipment segment, which includes Mailing and Office Systems operations, revenue grew five percent and operating profit increased 12 percent during the first quarter.

Mailing Systems' revenue grew four percent during the quarter; however, excluding the impact of foreign currency exchange rates primarily in Canada, Germany, Australia and Japan, revenue would have increased five percent. This growth was driven by strong placements of mailing equipment such as the Personal Post Office (TM), as the company continued to help customers make a successful transition to advanced electronic and digital metering, and introduced new customers to the benefits of metering. At March 31, 1998, electronic and digital meters grew to 78 percent of the company's installed U.S. meter base compared with 63 percent at March 31, 1997.

Consolidated rental revenue growth has increased for the fifth consecutive quarter on a year-over-year comparison to seven percent in the first quarter of 1998.

Office Systems' revenue grew 10 percent on continued demand for the company's advanced facsimile and copier systems. This performance was paced by double-digit sales growth in both product lines, and the highest ever quarterly order level in the Facsimile business.

In the Business Services segment, first quarter revenue grew 21 percent and operating profit grew 33 percent. The segment includes Pitney Bowes Management

Services and Atlantic Mortgage and Investment Corporation. The segment's revenue growth was driven by continued expansion of the customer base within the segment, as well as broadening the service offerings to existing customers. Operating profit benefited from leveraging the existing infrastructure as well as ongoing programs to enhance customer service and competitiveness.

Revenue and operating profit in the Commercial and Industrial Financing segment were down 19 percent and 22 percent, respectively. The segment includes Pitney Bowes Capital Services and Colonial Pacific Leasing Corporation. The strategic reduction of earning assets at Pitney Bowes Capital Services during 1997 resulted in the anticipated revenue and operating profit declines compared with the first quarter of 1997. These reductions are part of the company's ongoing strategy to reduce the level of capital committed to asset financing while maintaining the ability to provide a full range of financial services to customers.

Cost of sales increased to 61.1% of sales revenue in the first quarter of 1998 compared with 60.7% in 1997. This was due primarily to greater revenue contribution from the facilities management business which includes most of its expenses in cost of sales. The increased cost of sales rate was partially offset by lower product costs at U.S. Mailing Systems and increased sales of high margin supplies at Office Systems.

Cost of rentals and financing increased to 31.6% of related revenues in the first quarter of 1998 compared with 30.1% in 1997. This was due mainly to reduced revenues from the Commercial and Industrial Financing segment, the impact of increased revenues from the relatively lower-margin mortgage servicing business, a service based business with a higher cost to revenue ratio, and higher depreciation expense and other costs from increased placements of digital and electronic meters.

Selling, service and administrative expenses were 32.7% of revenue in the first quarter of 1998 compared with 33.9% in 1997. This improvement was due primarily to the company's continued emphasis on controlling operating expenses.

Research and development expenses increased 14 percent to $23.6 million in the first quarter of 1998 compared with $20.6 million in 1997. The increase reflects the company's continued commitment to developing new technologies for its digital meters and other mailing and software products.

Net interest expense decreased to $45.6 million in the first quarter of 1998 from $49.5 million in the first quarter of 1997. The decrease is due mainly to lower average borrowings in 1998 compared with 1997 resulting from the transaction with GATX Capital Corporation during 1997, and lower interest rates.

The effective tax rate for the first quarter of 1998 was 34.5 percent compared with 34.7 percent in the first quarter of 1997.

Net income and diluted earnings per share increased eight percent and 13.4 percent, respectively, in the first quarter of 1998 due to the factors discussed above. The reason for the increase in diluted earnings per share outpacing the increase in net income was the company's share repurchase program.

Liquidity and Capital Resources

The ratio of current assets to current liabilities improved to .84 to 1 at March 31, 1998 compared with .73 to 1 at December 31, 1997. The improvement was due primarily to an increase in short-term finance assets held for sale and from the repayment of short-term debt.

As part of the company's non-financial services shelf registrations, a medium-term note facility exists permitting issuance of up to $100 million in debt securities with maturities ranging from more than one year to 30 years of which $32 million remained available at March 31, 1998. On April 29, 1998, the company filed a non-financial services shelf registration with the Securities and Exchange Commission (SEC), which combined with the $32 million that remained available at March 31, 1998, will permit issuance of up to $500 million in debt securities.

On January 22, 1998, the company issued notes amounting to $300 million remaining under a non-financial services shelf registration filed with the SEC. These unsecured notes bear annual interest at 5.95% and mature in February 2005. The net proceeds from these notes are being used for general corporate purposes, including the repayment of short-term debt.

On January 16, 1998, Pitney Bowes Credit Corporation (PBCC), a wholly-owned subsidiary of the company issued notes amounting to $250 million remaining under a shelf registration filed with the SEC. These unsecured notes bear annual interest at 5.65% and mature in January 2003. The proceeds from these notes are being used for PBCC's financing needs during 1998. PBCC intends to file a new shelf registration statement with the SEC during 1998.

The company believes that its financing needs for the next few years 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.

The ratio of total debt to total debt and stockholders' equity including the preferred stockholders' equity in a subsidiary company in total debt was 66.1 percent at March 31, 1998 compared with 64.2 percent at December 31, 1997. Book value per common share increased to $6.72 at March 31, 1998 from $6.69 at December 31, 1997 driven primarily by the repurchase of common shares. During the quarter ended March 31, 1998, the company repurchased approximately 1,172,000 common shares for $56.5 million.

To control the impact of interest rate swings on our business, the company uses a balanced mix of debt maturities, variable and fixed rate debt and interest rate swap agreements. The company enters into interest rate swap agreements, primarily through its financial services business. Swap agreements are used to fix interest rates on commercial paper and/or obtain a lower interest cost on debt than we would otherwise have been able to get without the swap.

Capital Investments

In the first quarter of 1998, net investments in fixed assets included $22.3 million in net additions to property, plant and equipment and $56.8 million in net additions to rental equipment and related inventories compared with $22.6 million and $37.7 million, respectively, in the same period in 1997. In the case of rental equipment, the additions included the production of postage meters and the purchase of facsimile and copier equipment for both new placements and upgrade programs.

As of March 31, 1998, 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.

Regulatory Matters

In May 1996, the United States Postal Service (USPS) issued a proposed Schedule for the phaseout of mechanical meters in the United States. In accordance with the schedule, the company voluntarily halted new placements of mechanical meters in the U.S. as of June 1, 1996. As a result of the company's aggressive efforts to meet the USPS mechanical meter migration schedule combined with the company's ongoing and continuing investment in advanced postage evidencing technologies, at

March 31, 1998, electronic and digital meters represented approximately 78 percent of the company's U.S. installed base, up from 75 percent at December 31, 1997 and 63 percent at March 31, 1997. Based on the announced USPS mechanical meter migration schedule, the company believes that the phaseout of mechanical meters will not cause a material adverse financial impact on the company.

In May 1995, the USPS publicly announced its concept of its Information Based Indicia Program (IBIP), the purpose of which was to develop a new standard for future digital postage evidencing devices. In July 1996, the USPS published for public comment draft specifications for the Indicium, Postal Security Device and Host specifications. The company submitted extensive comments to these specifications in November 1996. Revised specifications were then published in 1997 which incorporated many of the changes recommended by the company in its prior comments. The company submitted comments to these revised specifications. Also, in March 1997 the USPS published for public comment the Vendor Infrastructure specification to which the company responded on June 27, 1997. As of March 31, 1998, the USPS had not yet finalized the four IBIP specifications; however, the company is in the process of finalizing the development of a PC product which satisfies the proposed IBIP specifications. This product is currently undergoing testing by the USPS and is expected to be ready for market upon final approval from the USPS.

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 Form 10-Q or made by the company management involve risks and uncertainties which may change based on various important factors. 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
- the company's success at managing customer credit risk

Part II - Other Information

Item 1: 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 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 5: Other Information

On February 9, 1998, the Pitney Bowes 1991 Stock Plan was amended to provide that: (i) all employees are eligible to participate in the Plan; (ii) no stock option granted under the Plan may have an exercise price of less than 100% of fair market value on the date of grant; (iii) shares issuable under the Plan in the form of restricted stock are limited to 30% of total shares authorized under the Plan; (iv) awards of restricted stock must bear a restriction of a minimum of three years if a tenure requirement is the sole restriction for earning the award, but if performance goals must be met to earn the award, the restriction period must be for a minimum of one year; (v) the committee administering the Plan may not waive any conditions or rights of awards, amend terms or otherwise alter any award without the consent of the holder of the award; and (vi) the term of the Plan is extended to May 31, 2006. The Plan is set forth in its entirety as Exhibit 10.

Item 6: Exhibits and Reports on Form 8-K

(a) Exhibits

Reg. S-K Exhibits	Description
(10)	The Pitney Bowes Amended and Restated 1991 Stock Plan
(12)	Computation of ratio of earnings to fixed charges
(27)	Financial Data Schedule

(b) Reports on Form 8-K

On February 23, 1998, the company filed a Form 8-K relating to the issuance of $300 million aggregate principal amount of 5.95% Notes due 2005.

On February 4, 1998, PBCC filed a Form 8-K relating to the issuance of $250 million aggregate principal amount of 5.65% Notes due 2003.

Signatures

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

PITNEY BOWES INC.

May 14, 1998

/s/ M. L. Reichenstein

M. L. Reichenstein
Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ A. F. Henock

A. F. Henock
Vice President - Controller
and Chief Tax Counsel
(Principal Accounting Officer)

Exhibit Index

Reg. S-K Exhibit	Description
(10)	The Pitney Bowes Amended and Restated 1991 Stock Plan
(12)	Computation of ratio of earnings to fixed charges
(27)	Financial Data Schedule

Exhibit (10)

THE PITNEY BOWES AMENDED AND RESTATED 1991 STOCK PLAN

Section 1. Purpose.

The purposes of this Pitney Bowes 1991 Stock Plan (the "Plan") are (1) to make available to employees of the Company and its Affiliates, who can make a substantial contribution to the success of the business, certain compensatory arrangements related to the common stock of the Company so as to generate an increased incentive to contribute to the Company's future success and prosperity, and (2) to enhance the ability of the Company and its Affiliates to attract and retain exceptionally qualified individuals upon whom, in large measure, the sustained progress, growth and profitability of the Company depend.

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 162(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, earnings per share, return on stockholder equity, stock price, or achievement of cost control, 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 or 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.

Section 4. Shares Available For Award.

(a) Maximum Shares Available. The maximum number of Shares that may be issued to Participants pursuant to Awards under the Plan shall be 12,800,000 (the "Plan Maximum"), subject to adjustment as provided in Section 4(c) below. Only 3,840,000 Shares may be issued pursuant to Awards of Restricted Stock and Restricted Stock Units under Section 6(b) of the Plan. In its discretion, the Company may issue pursuant to Awards 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's employment terminates for any reason, then Options shall be exercisable as specified below:

(A) With respect to Options that by their terms are not exercisable in whole or in part on the date the Participant's employment terminates, no such Option or part thereof may be exercised and such Option or part thereof shall be forfeited by the Participant; provided, however, that in the event that the Participant's employment terminates because of the death, or total disability or retirement of the Participant, the Committee may provide that Options held by the Participant, or a part thereof, that were not exercisable on the date of termination of employment may be exercised by the Participant (or his estate, as the case may be) during such period as the Committee may determine, not to exceed four (4) years after the date of termination, after which any Option or part thereof remaining unexercised shall be forfeited.

(B) With respect to Options that by their terms are exercisable in whole or in part on the date the Participant's employment terminates, then such Options, or such part thereof that is exercisable, may be exercised by the Participant (or his estate as the case may be) during such period following the date of termination, as the Committee may determine, not to exceed four (4) years after the date of termination, after which any Option or part thereof remaining unexercised shall be forfeited.

(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, if any, 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 property, 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.

(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, saleable, or transferable by a Participant other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder (or, in the case of Awards that are forfeited or canceled, to the Company); provided, however, that, if so determined by the Committee, a Participant may in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant, and to 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 qualified domestic relations order referred to above. No Award (other than Released Securities), and no right under any such Award, may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment, or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate.

(v) No Cash Consideration for Awards. Awards may be granted for no cash consideration, or for such minimal cash consideration as the Committee may specify, or as may be required by applicable law.

(vi) Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for any other Award or any award granted under any other plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any other plan of the Company or any Affiliate may

be granted either at the same time as or at a different time from the grant of such other Awards or awards. Performance Awards and Awards which are not Performance Awards may be granted to the same Participant.

(vii) Forms Of Payment Under Awards. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise, or payment of an Award may be made in such form or forms as the Committee shall determine, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents in respect of installment or deferred payments.

(viii) 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.

(ix) Share Certificates. All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be 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 Objectives and payable in stock, shall 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 upon the occurrence of either of the following:

(i) There is an acquisition, in any one transaction or a series of transactions (other than from the Company), by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by the Company or any of its subsidiaries; or by any employee benefit plan (or related trust) of the Company or its subsidiaries; or by 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 the Company 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 of the Company or the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors, as the case may be; or

(ii) Individuals who, as of September 12, 1988, constitute the Board of Directors (as of such date, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to September 12, 1988 whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of 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 the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(iii) There is an approval by the stockholders of the Company of (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 the Company 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) a complete liquidation or dissolution of the Company or of the sale or other disposition of all or substantially all of the assets of the Company.

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 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 shall be no greater than the right of any unsecured 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 (12)

Pitney Bowes Inc.
Computation of Ratio of Earnings to Fixed Charges (1)

(Dollars in thousands)

	Three Months Ended March 31, 1998	1997
Income before income taxes	$ 197,997	$ 183,635
Add:		
Interest expense	47,899	51,905
Portion of rents representative of the interest factor	10,307	11,129
Amortization of capitalized interest	243	243
Minority interest in the income of subsidiary with fixed charges	3,059	1,966
Income as adjusted	$ 259,505	$ 248,878
Fixed charges:		
Interest expense	$ 47,899	$ 51,905
Portion of rents representative of the interest factor	10,307	11,129
Minority interest, excluding taxes, in the income of subsidiary with fixed charges	4,670	3,011
	$ 62,876	$ 66,045
Ratio of earnings to fixed charges	4.13	3.77
Ratio of earnings to fixed charges excluding minority interest	4.41	3.92

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

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC. CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME, CORRESPONDING FOOTNOTE #3 FIXED ASSETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1,000

<PERIOD-TYPE>		3-MOS
<FISCAL-YEAR-END>		DEC-31-1998
<PERIOD-END>		MAR-31-1998
<CASH>		117,200
<SECURITIES>		34,597
<RECEIVABLES>	<F1>	2,153,072
<ALLOWANCES>	<F1>	79,481
<INVENTORY>		241,553
<CURRENT-ASSETS>		2,676,559
<PP&E>	<F2>	2,779,924
<DEPRECIATION>	<F2>	1,485,358
<TOTAL-ASSETS>		8,313,598
<CURRENT-LIABILITIES>		3,203,101
<BONDS>		1,626,870
<COMMON>		323,338
<PREFERRED-MANDATORY>		300,000
<PREFERRED>		2,193
<OTHER-SE>		1,551,683
<TOTAL-LIABILITY-AND-EQUITY>		8,313,598
<SALES>		450,425
<TOTAL-REVENUES>		1,011,574
<CGS>		275,000
<TOTAL-COSTS>		413,379
<OTHER-EXPENSES>		23,631
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		47,899
<INCOME-PRETAX>		197,997
<INCOME-TAX>		68,310
<INCOME-CONTINUING>		129,687
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		129,687
<EPS-PRIMARY>		.46
<EPS-DILUTED>		.46

<FN>
<F1> Receivables are comprised of trade receivables of $369,225 and short-term finance receivables of $1,783,847. Allowances are comprised of allowance for trade receivables of $21,962 and for short-term finance receivables of $57,519.
<F2> Property, plant and equipment are comprised of fixed assets of $1,132,145 and rental equipment and related inventories of $1,647,779. Depreciation is comprised of depreciation on fixed assets of $636,956 and on rental equipment and related inventories of $848,402.
</FN>