AGREEMENT BETWEEN STATE OF WASHINGTON DEPARTMENT OF CORRECTIONS

AND AMERICAN TELEPHONE AND TELEGRAPH COMPANY

FOR INSTALLATION AND OPERATION OF AN INMATE TELEPHONE SYSTEM

AT STATE CORRECTIONAL INSTITUTIONS AND WORK RELEASE FACILITIES

This Agreement is made and entered into this 16th day of March, 1992, by and between the State of Washington Department of Corrections ("Department"), and American Telephone and Telegraph Company ("Contractor").

WHEREAS, Department issued Request for Proposal No. CRFP2562, dated September 4, 1991, for an Inmate Telephone System and Recording/Monitoring at Department Correctional Institutions and Work Release Facilities (the "RFP");

WHEREAS, on November 12, 1991, Contractor responded to the RFP with a total solution, combining a proposal by Contractor, an interexchange carrier, to provide interLATA long distance service, with proposals by three local exchange companies ("LECs"), GTE Northwest Incorporated ("GTE"), Telephone Utilities of Washington, Inc. dba PTI Communications ("PTI") and U S West Communications ("USWC"), to provide inmate telephone stations and enclosures, recording and monitoring equipment and local and intraLATA telephone service (collectively, the "Combined Proposal" and individually, the "AT&T Proposal," the "GTE Proposal, the "PTI Proposal" and the "USWC Proposal");

WHEREAS, on December 20, 1991, the Department announced its selection of Contractor as the successful vendor on the basis of the Combined Proposal, with the understanding that Department and Contractor would enter into an Agreement covering the entire project as set forth in the RFP and that Contractor would enter into Subcontracts with GTE, PTI and USWC to cover those portions of the RFP for which those three LECs would be responsible;

NOW, THEREFORE, Department and Contractor do mutually agree as follows:

1. <u>Incorporation by Reference of RFP and Proposals</u>.

Contractor hereby agrees to provide the equipment and services required by the RFP, on the basis set forth in the Combined Proposal. The RFP and the Combined Proposal, including the AT&T Proposal, GTE Proposal, PTI Proposal and the USWC Proposal (except for USWC's response to Attachment B to the RFP), shall constitute and hereby are made a part of this Agreement as through fully set forth herein. As used herein, the term "Contractor" shall include and refer to AT&T, its subcontractors and suppliers, and the subsidiaries, affiliates, employees and agents of each of them.

000308

2. Scope of Agreement.

A. The terms and conditions of this Agreement apply to the LEC Public Telephones at Department Correctional Institutions and Work Release Facilities listed on Attachment A to the RFP, as well as to new and expanded facilities for which the Department requests service.

B. This Agreement applies to two types of LEC Public Telephones: Public Telephones made available to Inmates, from which only collect calls can be made ("Inmate Public Telephones") and other Public Telephones located on the premises of certain facilities for use by staff and visitors but not inmates ("Staff Public Telephones"), from which both "1+" and "0+" telephone calls can be made. Unless otherwise stated in this Agreement, the term "Public Telephone" shall refer both to Inmate Public Telephones and Staff Public Telephones.

3. Provision of InterLATA and International Service by Contractor.

Contractor agrees to provide "0+" interLATA and international service to all Public Telephones located on the premises of Department Correctional Institutions and Work Release Facilities. The Department hereby selects Contractor as the "0+" primary interexchange carrier ("PIC") for operator assisted ("0+) interLATA and international calls placed from all such LEC Public Telephones. The Department appoints Contractor as its Agent for purposes of submitting the Department's selection of Contractor as its PIC for such LEC Public Telephones. Nothing in this Agreement requires the Department to route "1+" interLATA calls to AT&T from any telephones covered by this Agreement.

4. Subcontractors.

The Department hereby approves Contractor's use of GTE, PTI and USWC as Subcontractors under this Agreement. Set forth below is a list of the equipment and services for which each of the Subcontractors will be responsible to provide to the Department, in accordance with the specifications of the RFP and the GTE Proposal, PTI Proposal and USWC Proposal:

A. GTE. GTE shall install and maintain public telephone sets, all associated equipment, lines, Dictaphone recording/monitoring equipment and call timing and call blocking software at the following location:

i. Washington State Reformatory, Monroe

GTE shall install and maintain public telephone sets, all associated equipment, lines, call timing and blocking software at the following locations:

000309

ii. Twin Rivers Corrections Center
iii. Indian Ridge Corrections Center, Arlington
iv. Special Offender Center, Monroe

GTE shall also provide local and intraLATA telephone service and operator service to the GTE Public Telephones at the above four locations.

B. PTI. PTI shall install and maintain public telephone sets, all associated equipment, lines, Dictaphone recording/monitoring equipment and call timing and call blocking software at the following locations:

i. Clallam Bay Corrections Center
ii. Washington Correction Center for Women

PTI shall install and maintain public telephone sets, all associated equipment, lines, call timing and call blocking software at the following locations:

iii. Olympic Corrections Center
iv. Pine Lodge Pre-Release
v. Coyote Ridge

PTI shall also provide local telephone service and operator service to PTI Public Telephones at the above five locations.

C. USWC. USWC shall install and maintain public telephone sets, all associated equipment, lines, Dictaphone recording/monitoring equipment and call timing and blocking software at the following locations:

i. Washington Corrections Center, Shelton
ii. McNeil Island Penitentiary
iii. Washington State Penitentiary, Walla Walla
iv. Airway Heights

USWC shall install and maintain public telephone sets, all associated equipment, lines, call timing and blocking software at the following locations:

v. Tacoma Pre-Release
vi. Cedar Creek Corrections Center
vii. Larch Corrections Center

USWC shall also provide local and intraLATA telephone service and operator service to USWC Public Telephones at the above six locations.

5. Term.

The term of this Agreement shall be five (5) years, commencing as of March 16, 1992 ("Effective Date"). Upon at least sixty (60) days' written notice prior to the end of the initial term or a renewal term, either party may request renewal of the Agreement, in which case the Agreement may be renewed for any length of time agreed upon by the parties. Upon expiration of the initial term or a renewal term without either notice of termination or signing of an agreement to renew, this Agreement shall automatically continue on a month-to-month basis.

6. Ownership of Equipment.

All equipment installed on Department premises pursuant to this Agreement shall be provided as a service to the Department in accordance with the RFP. No equipment shall be sold or leased to the Department under this Agreement. Title to all public telephone equipment, monitoring/recording equipment, software, wiring, hardware and enclosures installed pursuant to this Agreement shall remain in Contractor, or the applicable subcontractor or supplier, during the term of this Agreement.

7. Commissions Payable to the Department

A. In return for the right to provide Inmate and Public Telephone Service under this Agreement, Contractor, GTE, PTI and USWC shall each pay to the Department on a monthly basis the commissions set forth in Attachment 1 to this Agreement. Each carrier's monthly commission checks shall be sent to the Superintendent of each covered Correctional Institution or Work Release Program, made payable to the Inmate Welfare Fund, unless and until the Department shall specify a different payee for the carriers' commission checks.

B. For all facilities in USWC territory, commissions shall be payable as of the Effective Date of this Agreement. For all facilities in GTE and PTI territory, commissions shall be payable as of the cutover date established pursuant to the implementation schedule mutually agreed upon by the Department, Contractor and its Subcontractors.

C. The commission schedule set forth in Attachment 1 shall also apply to LEC public telephones at any new Department Correctional Institutions or Work Release Facilities which are added to this Agreement at the request of the Department.

D. If any of the Commissions set forth in Attachment 1 are not paid within 45 days after the end of any billing cycle, interest at an annual rate of 10% shall be paid commencing as of the 46th day. This interest charge shall not apply to the true-up commission payments made by Contractor and USWC with respect to the initial billing cycles of this Agreement.

8. Reports.

Contractor, GTE, PTI and USWC shall each provide the following reports with respect to the traffic carried by that entity:

A. A monthly call detail report for Inmate Public Telephones, by institution, and addressed to the superintendent of the institution showing the date, time, payphone number, called number and length of each call.

B. A monthly commission report for Inmate and Staff Public Telephones, by institution, showing total revenues generated by each Inmate and Staff Public Telephone for that monthly commission cycle. Each such report shall be sent to two locations: one copy to the institution and one copy to the Department of Corrections, Attention: Sharon Shue, Telecommunications Manager, P. O. Box 41110, MS: 61, Olympia, WA 98504-41110.

9. Maintenance

Contractor, its subcontractors and suppliers shall provide maintenance for the equipment, software and services supplied under this Agreement pursuant to the terms and conditions of the RFP and Proposals submitted in response to the RFP. The appropriate LEC (GTE, PTI or USWC) shall designate a single point of contact to receive trouble reports for each Correctional Institution or Work Release Program in that LEC's territory. The Department shall address trouble reports relating to any service or equipment provided under this Agreement to these designated points of contact, which are listed in Attachment 2 to this Agreement. Following the installation of equipment under this Agreement, Contractor, its subcontractors and suppliers shall leave the Department's premises in good condition and broom clean.

10. Responsibilities of the Department

The Department shall:

A. Take reasonable precautions to protect the public telephone stations and related equipment and monitoring and recording equipment and software from damage, vandalism, theft or hazardous conditions and promptly report any damage, service failure or hazardous condition to Contractor's points of contact as referred to in Section 9 and listed in Attachment 2 to this Agreement.

B. Subject to the Department's security requirements, provide access as needed to Contractor, its subcontractors, suppliers and agents to service the equipment provided herein.

C. Keep the public telephone stations clean and the station locations free from debris or obstructions.

11. InterLATA "0+ Service

A. Staff Public Telephones shall comply with the signage and unblocking requirement of the Telephone Operator Consumer Services Improvement Act of 1990.

B. If this Agreement is amended to add a Correctional Institution or Work Release Program located in an area where Contractor does not track billed "0+" interLATA revenues from LEC Public Telephones, a monthly average revenue (MAR) mutually agreed upon by the parties will be used in calculating Contractor's monthly "0+" interLATA revenues. The developed MAR will be based upon the monthly revenues generated from a like Washington State institution, with a similar inmate population and a similar ratio of inmates to public telephones.

12. Monitoring/Recording

Contractor shall provide live or mechanical operator announcements for all personal calls made from Inmate Public Telephones that the call is coming from a prison inmate and that it will be recorded and may be monitored and/or intercepted. The Department shall be responsible for instituting procedures at each location to ensure that attorney-client calls are not recorded or monitored.

13. Indemnification

A. The Contractor shall defend, protect and hold harmless the State of Washington, the Department, or any employees thereof, from and against all claims, suits, or actions arising from any negligent or deliberate act or omission of the Contractor or Subcontractor, or agents of either, while performing under the terms of this Agreement. The provisions of this paragraph shall not apply to any act or omission by the Contractor for which the Department, in the text of this Agreement, has agreed to defend and hold the Contractor harmless. The provisions of this section shall survive any termination or the expiration of this Agreement.

B. The Department shall defend, protect and hold harmless Contractor, its employees, agents or subcontractors, from and against all claims, suits, actions, loss or injury arising from any negligent or deliberate act or omission of the Department or any employee thereof, while performing under the terms of this Agreement, except to the extent that the claims result from the negligence or willful acts of Contractor's employees, agents or subcontractors. The Department shall defend, protect and hold harmless the Contractor, its employees, agents or subcontractors, from and against all claims, suits, actions, loss or injury arising out of or in any way connected with Contractor's provision of call recording equipment and call monitoring equipment to the Department under this Agreement. The provisions of this section shall survive any termination or the expiration of this Agreement.

14. Regulatory

The local, intraLATA and interLATA service provided under this Agreement is subject to applicable tariffs or price lists, as filed pursuant to the requirements of the Federal Communications Commission and the Washington Public Service Commission.

15. Force Majeure

Neither party shall be held liable for any delay or failure in performance of any part of this Agreement caused by circumstances beyond the reasonable control of the party affected or its subcontractors or suppliers, including, but not limited to, fire, explosion, lightning, pest damage, power surges or failures, strikes or labor disputes, water, acts of God, the elements, war, civil disturbances, acts of civil or military authorities or the public enemy, inability to secure raw materials, transportation facilities, fuel or energy shortages.

16. Limitation of Liability

Except in cases involving willful or wanton conduct, Contractor's liability to the Department with respect to the provision of local, intraLATA or interLATA service shall be limited to its obligation to pay commissions as set forth above. Contractor's liability with respect to the provision of public telephone stations and related equipment and the provision of monitoring and recording equipment is limited to direct damages which are proven. CONTRACTOR SHALL NOT BE LIABLE TO THE DEPARTMENT FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE LOSS OR DAMAGE OF ANY KIND, INCLUDING LOST PROFITS (WHETHER OR NOT CONTRACTOR HAD BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE), BY REASON OF ANY ACT OR OMISSION IN ITS PERFORMANCE UNDER THIS AGREEMENT.

17. Conflict Resolution

A. Should a dispute arise between the parties hereto, with respect to the terms of this Agreement or the performance hereof, the parties shall attempt to resolve the dispute informally, by investigating and discussing the issues. In working toward a resolution of the dispute, the parties may seek the assistance of upper management within the respective organizations of the Department and the Contractor.

B. In the event that informal efforts to resolve a dispute are unsuccessful, the parties shall, prior to filing suit, submit their dispute to a mutually agreed upon third party mediation service for non-binding mediation (for example, Judicial Mediation

Service, 1420 Fifth Avenue, Suite 400, Seattle, WA 98101). Each party shall share the cost of such mediation.

18. Termination and Termination Procedure

A. In the event that a correctional facility covered by this Agreement is closed for lack of funding, consolidation with other facilities or as a result of other judicial or governmental action, the Department may terminate this Agreement as to that facility.

B. In the event of a failure by Contractor to perform any of the provisions hereof with respect to any one or more correctional facilities covered by this Agreement, or with respect to any one or more of the three LEC territories covered by this Agreement (GTE, PTI or USWC), the Department may give Contractor thirty (30) days' written notice of intent to terminate for default, specifying the nature of the alleged failure of performance and identifying the location(s) and/or LEC territory affected. Contractor shall not be deemed to be in default if Contractor cures the failure of performance within the thirty (30) day notice period, or if the nature of Contractor's default is such that more than thirty (30) days are reasonably required for its cure, then Contractor shall not be deemed to be in default if Contractor shall commence such cure within said thirty (30) day period and thereafter diligently prosecute such cure to completion.

C. Unless there is a default consisting of a failure of performance as to the entire Agreement, a termination of this Agreement under the terms of this Section 18 a and b as to any single correctional facility or as to any single LEC territory shall not operate as a termination as to any other correctional facility or other LEC territory, and this Agreement shall remain in full force and effect for all other correctional facilities and LEC territories.

D. During the first three years of this Agreement, the Department may terminate this Agreement in whole or in part only upon one or more of the following events:

1. Termination for the reasons provided for in section 18 a., b. and c. herein, or

2. Any action by the legislature, the Governor's office, the Federal Communication Commission, the Washington Utilities and Transportation Commission or a court of competent jurisdiction which results in or necessitates termination of this Agreement in whole or in part.

Any termination under paragraph 18 D(2) above requires at least 90 calendar days written notice of such action be provided to Contractor by Department as provided in Section 19 "Notices."

After the first three years of this Agreement, either party may terminate this Agreement without cause by giving written notice to the other party, as provided for herein, at least 180 calendar days prior to the effective date of said termination.

19. <u>Notices</u>

A. Any notices or other communications to be given under this Agreement shall be provided to the following parties by personal delivery, first class U.S. mail or facsimile:

State of Washington
Department of Corrections
P.O. Box 9699, MS: FN-61
Olympia, WA 98504
Attention: Gary L. Banning
Administrator, Contracts
and Regulations
Facsimile no. (206) 586-8723
Tel. no. (206) 753-5770

AT&T
4460 Rosewood Drive, Room 6330
Pleasanton, CA 94588
Attention: Patricia Maitland
Facsimile no.: (510) 224-5498
Tel. no. (510) 224-4926

The name, address or facsimile number for notice may be changed by giving notice in accordance with this Section. If mailed in accordance with this Section, notice shall be deemed given when actually received by the individual addressee or designated agent or three (3) business days after mailing, whichever is earlier. If transmitted by facsimile in accordance with this Section, notice shall be deemed given when actually received by the individual addressee or designated agent or one (1) business day after transmission, whichever is earlier.

B. Courtesy copies of any notices provided by one party to the other under this Agreement shall be provided, using any of the methods specified in Section 19A, to:

U.S. West Communications, Inc.
14808 SE 16th, Basement
Bellevue, WA 98007
Attention: Susan Haynes
Facsimile no. (206) 451-6011
Tel. no. (206) 451-5328

GTE Northwest Incorporated
2312D West Casino Road
Everett, WA 98204
Attention: Joanna Sissons
Facsimile no.: (206) 353-6558
Tel. no. (206) 356-4175

PTI Communications
Post Office Box 90
Forks, WA 98331
Attention: John Fryling
Facsimile no.: (206) 374-9636
Tel. no.: (206) 374-2300

20. Rights in Data

The data covered by General Term "Rights in Data" contained in Attachment B to the RFP does not include information relating to interLATA, intraLATA or local calls, which shall remain the property of the applicable carrier (AT&T, USWC, PTI or GTE), and shall be kept confidential subject to the requirements of Washington public records law. In the event of a third party request for such data, the Department shall notify Contractor in advance of responding to the request in sufficient time to allow Contractor to negotiate any appropriate protective arrangements, consistent with any applicable time limits for the Department to respond to the third party, but in any event prior to disclosing the data.

21. Bond

Contractor shall post a performance bond or a performance/payment bond in the amount of $500,000 on a form acceptable to the Department. Such bond shall be for the purpose of guaranteeing satisfactory performance by Contractor of the services required hereunder and the payment of commissions due or owing to the Department.

22. Incorporation of General Terms and Conditions

The Department of Corrections General Terms and Conditions, as set forth in Attachment B to the RFP, are incorporated herein by reference, except as modified are amended herein, and with the exception of the following, which are deleted as inapplicable to this project:

A. General Term "Indemnification" on page 5 of Appendix B is superseded by Section 13 above ("Indemnification").

B. General Term "Disputes" on page 10 of Appendix B is superseded by Section 17 above ("Conflict Resolution"), and Section 18 ("Termination and Termination Procedure").

C. General Terms "Termination by Contractor" and "Termination for Convenience on page 11 of Appendix B are superseded by Section 5 above ("Term") and Section 18 ("Termination and Termination Procedure").

23. Contract Modifications

The parties may supplement or amend this Agreement by mutual consent, provided such supplement or amendment is in writing and signed by authorized representatives of both parties.

24. Entire Agreement

This Agreement and the documents incorporated herein by reference, i.e., the Combined Proposal, the RFP and the Department of Corrections General Terms and Conditions (Attachment B), constitute the entire understanding between the parties and supersede all prior understandings, oral or written representations, statements, negotiations, proposals and undertakings with respect to the subject matter hereof. In the event that any provisions of this Agreement and the incorporated documents are inconsistent, the order of precedence shall be as follows: (1) this Agreement; (2) the Combined Proposal (except for USWC's response to Attachment B to the RFP; (3) the RFP and (4) the Department of Corrections General Terms and Conditions (Attachment B).

STATE OF WASHINGTON
DEPARTMENT OF CORRECTIONS

By: ______________________
(Signature)

Chase Riveland
(Typed or Printed Name)

Secretary
(Title)

3/31/92
(Date)

AMERICAN TELEPHONE & TELEGRAPH COMPANY

By: ______________________
(Signature)

John Powell
(Typed or Printed Name)

Sales V.P.
(Title)

8/12/92
(Date)

Approved as to Form:

OFFICE OF THE ATTORNEY GENERAL
STATE OF WASHINGTON

By: ______________________
(Signature)

Thomas J. Young
(Typed or Printed Name)

Assistant Attorney General
(Title)

3/30/92
(Date)

000318

COMMISSION SCHEDULE

1. AT&T: commission rate of 24% on billed revenues from operator-assisted intraLATA, interLATA and international calls carried by AT&T.

2. GTE: commission rate of 27% on billed revenues from operator-assisted local and intraLATA calls carried by GTE.

3. PTI: commission rate of 27% on billed revenues from operator-assisted local calls carried by PTI.

4. USWC: the following commission rates shall apply to billed revenues from operator-assisted local and intraLATA calls carried by USWC:

USWC agrees to pay the Department a commission rate of 35%. At the end of each calendar year of this Agreement, USWC shall review billed USWC revenues against the schedule shown below and increase the compensation, if appropriate, as follows:

Annual USWC Revenue	Adjustment Level & New Commission Rate
$2.0 Million	35%
$3.0 Million	36%
$4.0 Million	37%

The USWC commission rate will not fall below 35%. Once a level of commission has been achieved, it will remain in place throughout the remaining years of this Agreement unless the next appropriate level is attained.

ATTACHMENT 1

STATE OF WASHINGTON
DEPARTMENT OF CORRECTIONS

REQUEST FOR PROPOSAL NO. CRFP2562

INMATE TELEPHONE SYSTEM

AND

RECORDING/MONITORING

ISSUANCE DATE: SEPTEMBER 4, 1991

000320

TABLE OF CONTENTS

000321

REQUEST FOR PROPOSAL
NO. CRFP2562

STATE OF WASHINGTON
DEPARTMENT OF CORRECTIONS

INMATE/TELEPHONE SYSTEM

I-1 GENERAL INFORMATION REGARDING PROJECT

A. Definitions for the Purpose of this RFP

1. Bidder-Person or company submitting a proposal in order to attain a contract with the Department.

2. Contractor-Person or company whose proposal has been accepted by the Department and is awarded a formal written contract.

3. Department- The Department of Corrections, Division of Prisons.

4. DOC- The State of Washington, Department of Corrections.

5. Correctional Facilities- Correctional Institutions and Work Release facilities within the jurisdiction of the Department of Corrections.

6. OCR- Office of Contracts and Regulations.

B. Purpose

The State of Washington Department of Corrections, hereinafter referred to as "Department", is seeking a qualified revenue producing Operator Assisted Telephone Service, to handle the inmate telephone services for Correctional Institutions and Work Release Facilities listed on attachment A, attached and incorporated as part of this proposal. Inmate telephone services are currently being provided within all jurisdictions of the Department. It is the Department's goal to collect the information necessary for the evaluation of competitive proposals submitted by qualified bidders, which will eventually result in a contract between the successful bidder and the DOC. This request for proposal is intended to provide qualified bidders with information which will permit them to respond to the DOC with a bid to provide inmate telephone service, wiring, and all associated equipment at all locations listed in attachment A plus inmate monitoring, recording hardware/software and associated equipment at all medium and maximum institutions listed on attachment A.

C. Background

WAC 137-48-080 states that telephone facilities shall be provided in appropriate numbers and locations to permit reasonable and equitable access to all inmates, except those of the reception center and disciplinary segregation. Following the intent of the WAC, the DOC in 1980, provided phone access to all offenders in community residential facilities and correctional institutions. Each facility has traditionally been allowed to determine its own guidelines for telephone availability, maximum length of calls, and limitations of inmate phone use subject to the approval of the Secretary.

I-2 SCOPE AND OBJECTIVES

A. Scope

The inmate telephone service, as defined in this document, shall include all inmate phone service, including intraLATA and interLATA, international calls, long distance and local calls. The inmate telephone system will handle operator assisted calls only, that are billed to a location other than the originating station. The telephone service will also provide attorney phones. It will also have the ability to block from usage any number or series of numbers requested by DOC; i.e.., 800, 900, 976, areas, 555 and international directory assistance calls. Any requests for calls other than collect shall be refused. Contractor have the ability to provide problem resolution of inmate phone service without any utilization of DOC staff.

B. Objective

A successful proposal shall include an evaluation which shall address the following factors:

- Provide a recording/monitoring system of inmate telephones at no cost to the agency.

- The ability to provide problem resolution of inmate service without any utilization of DOC staff.

- The ability to block from usage any number or series of numbers requested by DOC.

- Provide intraLATA. interLATA, international, long distance and local calls.

- Assumption of full financial responsibility for any costs associated with charges related to fraudulent credit use, incorrect, non-working or non-existent telephone numbers used for collect calls or any fraudulent act.

- Provide telephone sets, lines, wiring, calling, enclosures, associated equipment at no cost to agency.

-Provide monthly usage and financial statements to include telephone numbers called from each inmate telephone, at no charge to DOC within 30 days of the previous month.

-Provide attorney phones to operate without monitoring/recording capability. Telephones must be located where staff members can view inmates making calls. Cut off keys must be provided so staff can activate phones.

-Provide information to DOC facilities..i.e.. name, social security number, date of birth, and photo i.d. prior to entry of any DOC facility. Contractors must make the appropriate arrangements with each institution work training release facility to provide this information.

-Ability to provide additional telephone service to new facility locations as needed.

- Provide phone service which is compatible with telephone monitoring /recording equipment (Dictaphone/Call Watch).

-Contractor shall also maintain sufficient records showing date, time and nature of services rendered to permit verification by the DOC. These records shall be subject to inspection by DOC and the State Auditor. DOC shall have the right to audit Pre-Subscription Commissions both before and after payment by Contractor. Payment under this Agreement shall not foreclose the right of DOC to recover illegal payments by Contractor.

- Provide the service, etc...with rates no higher than the standard of U.S. West and AT&T with a commission to the Inmate Welfare Fund of each institution/Work Training Release facility.

I-3 PROJECT REQUIREMENTS

Within the scope and objectives described, the successful Contractor must also demonstrate the following:

- A detailed description of the overall project, equipment (phone monitor /recording), and management plan in narrative form.

- The completed technical and management proposals.

- For circumstances where proposer cannot comply with individual DOC request, a written list of exceptions and reasons why compliance is not possible. The explanation of exceptions should be supplied on the technical and management proposal checklist which is supplied within the RFP.

- The proposal must include a definition of applicable terms and how they will be used within the proposal. Specific examples must be included of the terms used in specific circumstances.

I-4 PERFORMANCE PERIOD

The period of performance of any contract resulting from this RFP is tentatively scheduled to run five (5) years and begin on or about November 5, 1991 and be in force through June 30, 1996. Amendments extending the period of performance, shall be at the sole discretion of the Department. Any additions, regardless of date, during the term of this Contract, shall expire on the same date as the expiration or termination date of the contract.

I-5 GENERAL INFORMATION

The Contractor shall be provided with a list of Department officials who shall be responsible for implementation of the resultant contract, both at the Institutions and with the Department.

I-6 RFP MODIFICATIONS

The Department reserves the right to modify this RFP at any time. In the event it becomes necessary to modify or revise any part of this RFP, addenda will be provided to all bidders who receive the basic RFP.

SECTION II
PROPOSAL INSTRUCTIONS

II-1 ISSUING OFFICE

The issuance of this RFP has been approved by the Secretary of the Department of Corrections. The RFP Coordinator is the sole point of contact in the state for this selection action. Throughout the duration of this process, <u>all</u> requests for copies of the RFP and communications are to be directed to the RFP Coordinator:

Kay Wilson-Kirby, Assistant Administrator/Operations
Office of Contract and Regulations
410 W. 5th
P.O. Box 9699; FN-61
Olympia Wa. 98504

Phone: (206) 753-5770

Communications directed to parties other than the RFP Coordinator may result in disqualification of the bidder.

II-2 PRE-BID CONFERENCE

A Pre-Bid Conference will be held at 10:00 AM, September 11, 1991, for potential bidders at DOC Headquarters, CENTER ANNEX CONFERENCE ROOM, 417 West 4th Avenue, Olympia Washington 98504. The purpose of this conference is to allow potential bidders to ask questions arising from the review of this RFP. Attendance at this pre-bid conference is not mandatory for acceptance of bid. DOC is strongly recommending all prospective vendors who do attend, to bring a technically orientated person with them for this pre-bid conference.

Any changes and/or clarifications to this RFP as a result of the pre-proposal conference shall be made in writing and distributed to those attending this conference, as well as those who did not attend this conference. Oral interpretations shall not be binding on the department. Because of the schedule of events outlined above, questions cannot be accepted or answered after the proposal conference.

II-3 PREPARATION COSTS

The Department shall not be liable for any costs associated with the preparation of a proposal submitted in response to the RFP.

II-4 BIDDER AND PROPOSAL REQUIREMENTS

A. Eligibility

Bidders must be able to provide either intraLATA service and recording/monitoring equipment or interLATA including international calls, to be eligible to bid.

B. Qualification Requirements

The successful bidder must possess the following minimum qualifications:

1. Be licensed to do business in the state of Washington, if required by state law and meet Utilities and Transportation and FCC requirements.

Bidders who do not meet these minimum qualifications shall be deemed nonresponsive and will not receive further consideration.

II-5 PROPOSAL FORMAT AND CONTENT REQUIREMENTS

A. Proposal Format and Content

There shall be two sets of proposals submitted. One set will include phone service information; the second set will include phone monitoring/recording information. The Phone Monitoring/Recording proposals must be separately submitted and cannot be included within the Telephone Service Proposal.

Proposals must be prepared on 8 1/2" x 11" white paper (11" x 14" paper is permissible for charts, spread sheets, etc.) and all typing must be doublespaced, with one inch margins on the sides, and placed in binders with tabs separating the major sections. Each proposal is to be in sufficient detail to permit evaluation. Proposals must be submitted in the format outlined and must contain, at a minimum, all items listed in the sequence shown below.

1. Technical Proposals:

Define all work requirements necessary to accomplish the objectives and requirements as set forth in Subsection I-2 and I-3, and the information called for in Subsection II-5 of the RFP. (See Appendix A.)

TECHNICAL PROPOSAL
RFP NO. CRFP-----

2. Management Proposals:

The management proposals must contain the information called for in Subsection II-5 of this RFP. (see Appendix B.) Submit five (5) copies. Place the five (5) copies of the management proposal in a plain, sealed envelope marked on the outside:

MANAGEMENT PROPOSAL------
RFP NO CRFP-------

3. Cost Proposals:

The cost proposals must include a budget that complies with the requirements set forth in subsection II-9 of the RFP. Submit five (5) copies. Do not identify the respondent in any way in the proposal or on the envelope. Place the five (5) copies of the cost proposal in a plain, sealed envelope marked on the outside:

COST PROPOSAL-------
RFP NO. CRFP-------

II-6 PROPOSAL VALIDATION PERIOD

The bidder must agree, in writing, that proposals are valid for 90 days after receipt by the Department. The rates and percentages quoted must be valid for 90 days and a second set of figures provided that shall be valid for one year after the receipt of the proposal. The validity period associated with the sets of figures must be clearly written in the proposal. If the proposal is vague or does not specify the period of time for which cost estimates are valid, if may be considered nonresponsive to this section and the proposal may be rejected.

II-7 EVALUATION PROCEDURE

The evaluation of proposals for each contract will be accomplished by a committee that will determine which proposals are most responsible and cost effective. The top three firms may, at the committee's discretion, be required to make a presentation of their proposal to the evaluation committee at the DOC Headquarters in Olympia, Washington, on or about October 15, 1991. A recommendation will be made by the committee to the Secretary. The Secretary will make the final awards after review of the recommendation of the committee. The DOC will evaluate the ability of the contractor to provide inmate phone service and monitoring/recording equipment, consistent with the needs of the institutional facilities. DOC will also evaluate the Contractor's ability to increase telephone service for additional and future correctional facilities, which may be on line within the next few years. Other vital components of the DOC's evaluation will consist of the following:

- The proposed price levels (amount to be billed the customer) and percentage of monetary remuneration returned to the State for both telephone monies as well as an access fee (cable) to inmate telephones.

- The judgment of DOC officials relative to not only the ability, but the sincerity and willingness of the Contractor to provide inmate telephone services and monitoring recording/equipment to DOC both for facilities currently in operation and any new facilities which may be built in the future.

- Evaluation of proposer's responses to mandatory requirements of the RFP. The evaluation will include completeness of responses, neatness, ease of locating material and/or finding information, quality of information and short concise responses made in such a way that they are easily understood by a lay person.

- DOC's belief of contractor's ability to increase services provided for in contract, to any new correctional facilities which may be built in the future.

In evaluating each proposal, the committee will consider the following:

- How well the proposal meets the program objectives of this RFP.

- Information submitted in response to the RFP.

- The proposer's technical approach (repair, equipment and service information). (See Appendix A.)

- The qualifications and background of proposer's staff to be assigned to the institutions. (See Appendix B)

- The proposer's previous and successful experience in representing institutionalized persons and/or criminal defendants. (See appendix B.)

- Other questions relating to the proposer's organization. (See Appendix A.)

- Compatibility of Telephone Monitoring/Recording equipment with Telephone Service System. Telephone Monitoring/Recording System must be Dictaphone/Call Watch.

- Participation by minority and women's business enterprises certified by the Office of Minority and Women's Business Enterprises.

- Questions relating to a competitive commission without denigrating the level of service. (See Appendix A.)

Scores awarded the proposals will be utilized for determining those firms asked to make a brief personal presentation for their proposals. Final recommendation shall be made by the committee considering both the oral presentation and the written proposal. The DOC reserves the right to contact proposers for clarification of definitions, terms and other information which is not easily understandable. The DOC reserves the right to award this contract not necessarily to the bidder providing the highest commission to DOC, but to the bidder that demonstrates the best ability to fulfill the requirements of this RFP, after considering the factors of price, quality, service, responsiveness and expertise.

II-8 SCHEDULE OF ACTIVITIES AND DEADLINES

A. Schedule of Activities

The following schedule of activities must be adhered to by all bidders. Bidders mailing proposals should allow normal mail delivery time to ensure timely receipt of their proposals by the issuing office (RFP Coordinator).

LATE PROPOSALS WILL NOT BE ACCEPTED, NOR WILL TIME EXTENSIONS BE GRANTED.

1.	RFP available to Potential Bidders	September 4, 1991
2.	Pre-Bid Conference.	September 11, 1991
3.	Deadline for Receipt of Proposals	October 9, 1991
4.	RFP Evaluation Date	October 10,11, 1991
5.	Oral Presentations	October 15, 1991
6.	Notification of successful bidder	October 16, 1991
7.	Contract begins	November 5, 1991

B. Bidder's Proposal

Five (5) copies of each proposal and five (5) copies of all supporting documentation, whether mailed or hand delivered, must be received at the RFP Coordinator's Office no later than 5:00 pm Pacific Daylight time, October 9, 1991. The proposals shall be addressed as follows:

Kay Wilson-Kirby
Office of Contracts and Regulations
Department of Corrections
410 W. 5th Avenue
P.O. Box 9699; FN-61
Olympia, Washington 98504

Proposals must be signed by a duly authorized officer of the bidder's firm. No other distribution of the proposal is to be made by the bidder. All proposals and accompanying documentation become the property of the Department and will not be returned unless identified as "proprietary information". DOC shall have the right to use any or all ideas or adaptations of the ideas presented in any proposal received in response to this RFP. Selection or rejection of the proposal will not affect this right.

Any restriction on the use of data contained within a proposal must be clearly stated in the proposal itself. Proprietary information submitted in response to this RFP will be handled in accordance with applicable Washington DOC Regulations.

The content of the proposal of the successful bidder will be included by reference in any resulting contract, The proposals must be signed by a person(s) authorized to legally bind the bidder.

The proposer will be required to post a performance bond or a performance/payment bond in an amount and on a form acceptable to the DOC which will be negotiated by DOC. Such bond shall be for the purpose of guaranteeing satisfactory performance of services required hereunder and the payment of commissions due or owing the DOC.

II-9 REJECTION OF PROPOSALS

DOC reserves the right to reject any and all proposals received, in whole and in part. DOC will not pay for any information herein requested, nor is it liable for any costs incurred by the bidder in the preparation or response to this RFP. The final selection, if any, will be that proposal which, in the opinion of the Secretary, after review of all the evaluations and recommendations of the evaluation committee, best meets the requirements set forth in the RFP and is in the best interest of the DOC.

Proposals providing less than 60 days for acceptance by the DOC from the date set for the receipt of proposals will be considered non-responsive and will be rejected. Proposals that do not address all areas requested by this RFP may be deemed non-responsive and may not be considered for any possible contract awarded as a result of this RFP.

Should DOC and the proposer selected be unable to negotiate a satisfactory contract, the proposer's proposal will be rejected and DOC will enter into negotiations with the proposer submitting the next best proposal, as ranked by the evaluation committee and the Secretary.

II-10 ADDENDUM/MODIFICATIONS

Any interpretation, correction or change of the RFP will be made by addendum. Interpretations, corrections or changes of the RFP made in any other manner will not be binding, and bidders shall not rely upon such interpretations, corrections or changes. Any changes or corrections will be issued by the DOC Contracts Office. Addenda will be mailed or delivered to all who are known to have received an RFP and who have attended the pre-bid conference. No addenda will be issued later than ten (10) days prior to the date for receipt of bids except an addenda, if necessary, extending the date for receipt of bids or withdrawing the RFP.
In the event it becomes necessary to revise any part of the RFP, addenda will be provided to all persons who receive the RFP. If any proposer has reason to doubt

whether DOC is aware of the proposer's interest, it is incumbent on the proposer to notify DOC to ensure that addenda are received. Mail or call such notice to:

Department of Corrections
Office of Contracts and Regulations
ATTN: Kay Wilson-Kirby
410 West 5th
P.O. Box 9699
Olympia Wa. 98504

RFP Number: CRFP2562

Phone Number: (206) 753-5770

II-11 EQUAL OPPORTUNITY ASSURANCES

RESPONDENTS REQUIRED BY STATE OR FEDERAL LAW TO HAVE AFFIRMATIVE ACTION PLANS MUST BE PREPARED TO PROVIDE TO DOC, UPON REQUEST, COPIES OF THEIR CURRENT AFFIRMATIVE ACTION PLAN AND RECENT EVALUATION OF THAT PLAN. RESPONDENTS NOT REQUIRED BY LAW TO MAINTAIN AN AFFIRMATIVE ACTION PLAN MUST COMPLETE ATTACHMENT "C" TO THIS RFP AND RETURN IT WITH THE PROPOSAL.

II-12 ESCAPE CLAUSE

DOC reserves the right to waive specific terms and conditions contained in this RFP or cancel the RFP altogether if conditions necessitate such an action. It shall be understood by the proposer that the proposal is predicated upon acceptance of all terms and conditions contained in this RFP unless the respondent has obtained such waiver in writing from DOC prior to submission of the proposal. Such a waiver, if granted, will be applicable to all proposers.

II-13 MINIMUM ACCEPTANCE BID PERFORMANCE LEVELS

Requirements, as set forth in this RFP, are meant to indicate only the minimum acceptable levels of performance.

Proposers should present their proposal in such form as to meet or exceed the minimums stated. The evaluation committee will consider proposals as they relate to providing the best telephone service - monitoring/recording equipment for the facilities.

Proposers should present a proposal which will indicate how services will be provided, monitored and evaluated. Proposals setting forth clear, concise and quantifiable/measurable programs will be received more favorably than those which do not.

II-14 NOTICE OF AWARD OF CONTRACT

DOC will endeavor to notify all proposers on or about October 16, 1991, which proposers DOC has selected to negotiate contracts.

II-15 MISCELLANEOUS PROVISIONS

A. Authority to Bind DOC: The Secretary is the only individual who may legally commit DOC to the expenditures of public funds. No cost chargeable to the proposed contract may be incurred before receipt of either a fully executed contract or a specific, written authorization from the Secretary.

B. Attachment B: The "Equal Opportunity Assurances" form must be signed by the President or Executive Director of a corporation, the managing partner of a partnership, or the proprietor of a sole proprietorship and returned with the proposal.

C. Signature: All proposals must be signed and dated by the President or Executive Director of a corporation, the managing partner of a partnership, or the proprietor of a sole proprietorship.

II-16 DEBRIEFING OF UNSUCCESSFUL VENDORS

A. Bidders protesting this award shall follow the procedures described herein. Protests that do not follow these procedures shall not be considered. This protest procedure constitutes the sole administrative remedy available to bidder under this procurement.

Upon exhaustion of this remedy, no additional recourse is available within the Department. Chapter 34.04 RCW, Administrative Procedures Act (APA) does not apply to this procurement.

B. Upon receipt of a protest, a protest review will be held by the Contracts Office to review the procurement process utilized. This is not a review of proposals submitted or the evaluation scores received. The review is to ensure agency policy and procedures were followed, all requirements were met and all bidders were treated equally and fairly.

C. Only protests setting out an issue of fact concerning a matter of bias, discrimination or conflict of interest, errors in tabulation, or noncompliance with procedures described in the procurement document or agency policy shall be considered.

D. All protests must be in writing and signed by the protesting party or an authorized agent. Telegrams or similar transmittals will not be considered. The protest must state all facts and arguments on which the protesting party is relying, and addressed as follows:

Contracts and Regulations Administrator
Office of Contracts and Regulations
Department of Corrections
P.O. Box 9699
Olympia Wa 98504

If a protest may affect the interest of any bidder, such bidder(s) will be given an opportunity to submit its view and any relevant information on the protest to the Contracts and Regulations Administrator.

E. If the protest involves the rejection of a proposal, the protest must be received by the Contracts Office no later than 5:00 pm, on the fifth business day following bidder's receipt of the notice of rejection, whether oral or written, or the announcement of the apparent successful bidder, whichever occurs first. Only those who are eligible to submit a proposal under the criteria established by the OCR may protest the rejection of a proposal.

F. OCR will consider the records and all facts available and issue a decision within five business days of receipt of the protest unless additional time is required, in which case the protesting party will be notified by the OCR of the delay. The decision of the OCR will be final and conclusive.

II-17 GENERAL TERMS AND CONDITIONS

The General Terms and Conditions attached to this RFP as Attachment "B" will be incorporated in any contract awarded pursuant to the RFP. The Definitions section of such General Terms and Conditions shall apply to this RFP.

APPENDIX A

TECHNICAL SPECIFICATIONS SECTION

Each statement the company can comply with must be initialed by the company representative authorized to negotiate this contract. For other responses requested, the answer must be given and initialed. If the company cannot comply with a statement, an "exception" must be noted. For each statement requiring additional information, a separate sheet must be provided and identified by the section, sub-section and number assigned.

A. Service

		Yes	No
1.	Can provide operator services trained to DOC procedures including but not limited to the "operator announcement" as mandated by the Drug Omnibus Bill, Chapter 271, Laws of 1989.	______	______
2.	If using computer generated operator service, can provide rotary dial collect calls within the same time frames as touchtones.	______	______
3.	If using computer generated operator service, can provide capability for called parties with rotary dial phones to accept calls. Provide method on a separate sheet and label technical #3.	______	______
4.	Can provide service with no surcharge to called party or DOC.	______	______
5.	Can provide a private line for each telephone set.	______	______
6.	Can provide telephone sets, all associated equipment, and lines at all listed DOC locations.	______	______
7.	Can provide precise equipment clocks (timing mechanisms). Attach certificate of accuracy and mark technical #7.	______	______

000338

	Yes	No
8. Can provide credit for a bad connection.	______	______
9. Can provide a P.01 grade of service.	______	______
11. Can provide "busy" or "no answer" condition at no charge.	______	______
12. Can provide answer supervision.	______	______
13. If using computer assisted operator service, can provide technology that can detect messages, voice recorders and hang up immediately.	______	______
14. Can provide telephone sets, all equipment, lines, calling, recording monitoring, hardware/software and associated equipment and local, intraLATA services. If contracts with other vendors, please provide a copy of contract(s) and mark Technical #14 for evaluation identification.	______	______
15. Can provide interLATA and international calling services. If contracts with other vendors, please provide copy of contract(s) and mark Technical #15 for evaluation identification.	______	______
16. Can install public and inmate telephones, associated equipment wiring hardware and enclosures at each listed institution/work training release facility.	______	______
17. Can provide monthly usage and financial statements to include telephone numbers called at no charge to DOC. Attach examples of statements the company would utilize. Provide information on separate sheet and label technical service #17.	______	______

18. Can provide the monetary amount, if any, of the minimum revenue threshold for each phone location. Provide

000339

		Yes	No
	information on separate sheet and label technical service #18.	________	________
19.	Can provide proposal of plans to interface with the local operating companies, i.e., Public Access Lines (PAL), access charges. Provide copies of proposals and mark Technical #19.	________	________
20.	Can provide telephone instruments, conduit, cabling, lines and associated equipment, at each listed facility. Can maintain a minimum ratio of 1 telephone and line for 20 inmates. Ideal ratio is one telephone per 15 inmates except as required by DOC for security i.e... a lower ratio for hospital high security areas within institutions.	________	________
21.	Can capture and account for all local, intraLATA and interLATA and international calls.	________	________
22.	Can provide rate schedule for collect calls. Attach schedule and mark Technical #22.	________	________

23. State whether or not your rates are more/less expensive than:

ATT	more__________	less __________	percentage___________%
MCI	more__________	less __________	percentage___________%
SPRINT	more__________	less __________	percentage___________%
US WEST	more__________	less __________	percentage___________%
Others	more__________	less __________	percentage___________%

Provide rate schedule, marked Technical #23.

24.	Can provide operator center equipment indicating calls are from prison inmates.	________	________

000340

	Yes	No
25. Can provide direct payments by way of monthly checks to each facility.	______	______
26. Can comply with the requirement to block telephone numbers that inmates are not allowed to call and provide a method to get back to inmates for problem resolution. Provide information on method on separate sheet and label Technical #26.	______	______
27. State the time frame required to add, change or cancel a blocked number. Provide information on separate sheet and label technical #27.	______	______
28. Can comply with the requirement for system redundancy.	______	______
29. Must comply with the requirement for disaster recovery plan. Attach copy of plan and label Technical, #29. Certify that you have a disaster recovery plan.	______	______
30. State the compensation rate and type; i.e., net, billed revenue, etc. Attach an explanation of definitions for the terminologies and examples used in the proposal; and, label Technical #30 for evaluation identification (separate sheet).	______	______
31. State the fee for an operator assisted local call and indicate whether it is a flat fee or per minute charge. Provide on separate sheet and label technical #31.	______	______
32. State the number of calls that can be handled simultaneously.	____________	
33. State the time increment charges (separate sheet and label technical #33.)	______	______

000341

	Yes	No
34. Can provide call forwarding blocking?	______	______
35. Can provide call length delineators?	______	______

<u>Repairs</u>

36. Provide location, telephone numbers and number of installers, and repair persons that would be serving the Department of Corrections State of Washington facilities at each institution/work training release facility of the Department Attach a list and mark Technical, Repairs #36.	______	______
37. Can provide information on how repair problems are detected and reported. Attach information and label Technical, Repairs #37.	______	______
38. State the response time for repairs from time reported to technician to technicians arriving on site. Attach information and label Technical Repairs #38.	______	______
39. Can service and repair all inmate, public telephones, and associated equipment monitoring/recording, hardware/software and associated equipment at contractor's expense.	______	______

<u>Equipment</u>

40. Can comply with requirement for equipment for the hearing impaired meeting Federal and State Law standards.	______	______
41. Can comply with the requirement of equipment registration with FCC. Attach a copy of proposed equipment FCC numbers and label Technical, Equipment #41.	______	______

	Yes	No
42. Can provide brochures, warranties, information pertaining to equipment to be provided for inmate/pay phone services. Organize and label Technical, Equipment #42 for evaluation identification.	______	______
43. Can provide cut off keys for each inmate telephone set, to be located at each institution as directed by DOC.	______	______
44. Can remove phones on a temporary basis for building expansion or renovation and reinstall at no cost to the agency.	______	______
45. Provide copy of written operational procedures to be posted at or near inmate phones on date of cut over and label technical Equipment #45.	______	______
46. Can provide emergency maintenance, on site response time within three (3) hours for 95% of all emergency maintenance calls 24 hours a day, seven (7) days a week.	______	______
47. Can provide routine maintenance on-site response time within twenty-four (24) hours after receipt of a routine maintenance call and perform during normal business hours 8:00am - 4:30pm Monday through Friday.	______	______
48. Can provide an on-site status report to the designated on-site coordinator and maintain daily detailed trouble log for Dept. perusal.	______	______
49. Provide a description of maintenance organization capable of maintaining the installed equipment and software on separate sheet and label technical equipment #49.	______	______

	Yes	No
50. Can provide telephone sets of high quality, with amplifiers when required and noise cancellation devices.	______	______

Installation/Implementing Schedule

	Yes	No
51. Provide an implementation plan and installation schedule for all services, equipment being proposed. Separate sheet and label technical #51.	______	______

APPENDIX B

MANAGEMENT PROPOSAL REQUIREMENTS

A. Identifying Information

1. What is the name of your company? ____________
2. What is the address of your company? ____________
3. What is the telephone number for your company? ____________
4. What is the name of your company's principal officer? ____________
5. What is the name of your company's project leader for inmate telecommunication service? ____________
6. What is your company's Washington business license number and employer identification number? ____________
7. How many telecommunications staff does your company employ? ____________
8. Where is your company headquarters located? ____________

B. Experience of Proposer

1. What is the length of time that your company has been in business in telecommunications? ____________
2. What is your company's previous experience supplying telecommunications service within the State of Washington? ____________
3. If your company or any connecting entity has previously contracted with the DOC, please indicate the contract number and the period of performance? ____________
4. What clients has your company serviced within the area of inmate telephone services? List the clients, contact person, telephones

numbers and addresses. A minimum of three contacts must be provided for references. Attach separate sheet and label Management B.#4. ________ ________

* Please supply an organizational chart of your company to include the following information: Label management B.#5.

- principal officers of your company.
- key staff to be assigned or employed for inmate and pay telecommunications services.
- qualifications of key operations personnel.
- the authority of personnel involved in the performance of this potential contract.
- the relationship of this specific staff to other programs or functions in your company.

C. Personnel/Hiring

1. Will your company assign live operators to the institutions? (If exceptions, please explain on a separate sheet of paper and label Management C. #1. ________ ________

2. Will your company assign operators who are specially trained to handle inmate calls? ________ ________

3. What type of calls will your operators accept from inmates? For example:

   --credit card calls ________
   --3rd party billed calls ________
   --directory assistance calls ________
   --collect calls ________

4. How may operators will be assigned to handle institution calls?
   --1 to 2 ________
   --2 to 3 ________
   --4 or more ________

5. Will your company have installation and maintenance personnel within

000346

reasonable access to installation sites? ____________________

6. Are your operators and staff familiar with the requirement for call recording and monitoring of inmate calls for correctional facilities? ____________________

* Contractors must assure that they are able to comply with all relative state and Federal regulations and insurance requirements, as well as the ability to obtain any required licenses or permits which may be necessary. It shall be the responsibility of the contractor to ascertain if permits or licenses are required.

APPENDIX C

SPECIFICATIONS

MULTI-CHANNEL COMMUNICATIONS RECORDING SYSTEM

1.00 GENERAL

This specification covers logging tape recorder/reproducer systems designed to provide recording of 4 to 240 channels plus the time/date signal multiplexed on one channel with audio. The equipment furnished under this specification shall be designed for continuous duty operation, i.e. 24 hours per day, 365 days per year.

1.01 All equipment supplied under this specification shall be completely operational when installed. After the equipment has been accepted and placed in service, the vendor shall guarantee it for a period of one year and will replace, free of charge, any parts thereof, which become broken or defective, except by reason of accident, misuse, or any casualty, during such period.

1.02 The vendor will make all necessary adjustments to this system, not required by reason of accident, misuse, or any casualty, at the vendor's expense for a period of 90 days from date of installation.

1.03 A first years maintenance agreement shall be provided. The vendor guarantees to accept annual maintenance agreements for at least a 5 year period without additional charges for overhauls.

1.04 Service technicians directly employed by the equipment manufacturer must be available to respond within one working day in the event service is required. Describe local service organization along with telephone number and address on a separate sheet. Certificates of training courses completed on the equipment proposed by the responsible technician shall be included with the bid response.

1.05 The vendor shall guarantee parts support for all items under this specification for a period of not less than five (5) years.

1.06 This successful vendor shall supply a comprehensive technical manual, complete with all schematic and wiring diagrams, printed circuit board drawings, and parts listing. The successful vendor shall also provide an easy to read comprehensive operation instruction book as well.

1.07 The vendor shall be responsible for the installation of all equipment covered by these specifications.

1.08 All equipment in this specification shall be delivered no later than sixty (60) days after receipt of order. F.O.B. point shall be destination.

1.09 The vendor shall provide on-site training and instruction for all operators, covering all equipment supplied under this specification. This training is to be performed by direct employees of the equipment manufacturer.

1.10 The recorder/reproducer shall be agency approved by the following agencies: UL, CSA, DOC, and FCC part 15 and 68. The machine will have the appropriate markings on the label.

1.11 All vendors responding to this specification must check in the appropriate box provided if they fully comply or not. If the do not comply box is marked, a full explanation of the non-compliance must be included on a separate page. Failure to complete this requirement is cause for bid rejection.

1.12 All vendors responding to this specification must supply a list of at least three local references using the system being quoted.

1.13 All vendors responding to this specification shall include an audited financial statement. If a vendor is proposing a system that is not manufactured by them, then an audited financial statement of the manufacturer must be included as well. Failure to complete this requirement is cause for bid rejection.

1.14 All equipment in this specification shall have incorporated the necessary modifications to allow installation to meet seismic bracing codes if required.

2.00 CENTRAL CONTROL CRT MODULE

2.01 A master control module shall be provided that can fully control up to four transport modules. This master controller shall contain a 9# monochrome CRT a n d incorporate a series of easy to read screens. The controller shall have a membrane switch containing five soft keys, a dedicated "previous screen# key, numeric key pad and a manual variable speed search strip associated with it.

2.02 This central control CRT shall also contain a volume control, speaker, headset and cassette jack and be an integral part of the system design. Any OEM'ed P C equipment is unacceptable.

2.03 The playback amplifier in the control module shall provide 5 watts of audio at the speaker and headset jack with a fixed -6 dBm at the cassette record jack.

2.04 The central control CRT shall contain a microprocessor that will act as a system controller and will provide all control and monitoring for up to four transports.

2.05 The central control CRT shall contain a master clock that synchronizes all of the individual transport clocks and will display the time/date information from any transport on the CRT screen through a prompted series of key strokes.

2.06 The central control CRT shall display a playback screen with the total number of channels indicated individually. Any one, or all up to four transports may be played back through the controller. Any one, any combination or all channels may be selected through the numeric key pad for simultaneous playback through the speaker, headphone jack or cassette record jack. Channel selections will clearly show on the CRT screen in reverse video.

In addition, an automatic noise eliminator circuit can be enabled during playback to filter out background noise and enhance the playback clarity.

2.07 The central control CRT shall provide a channel audio activity monitor. This monitor will provide visual indication of active audio recording or active playback audio by channel. This will be shown in highlighted video on the screen for each individual channel.

2.08 The central control CRT shall provide the ability to automatically search any previously recorded tapes on any of up to four transports. The auto search feature i s initiated through a series of CRT prompted inputs. The date/time desired is displayed on the CRT screen and auto search initiated. The transport, under the command of the central controller will search at a high speed to locate the desired time/date and stop with no overshoot and begin playing.

2.09 The time/date information displayed on the CRT during the auto search function shall be the real time off tape. Any computer generated simulated times shall not b e acceptable.

2.10 The central control CRT initiated auto search function shall be carried out at fast speeds of up to 700 to 1 allowing the acquisition of any time/date address in less than 140 seconds.

2.11 The central control CRT shall provide the capability to manually search any of up to four transports. This manual search will allow full variable (from 0 to 400 times normal record speed) speed control either forward or reverse from a soft membrane strip. This strip will activate when touched with a fingertip and cause t h e transport to move in concert with the finger movements. When the control is released, the transport will stop and resume playback automatically.

2.12 The central control CRT shall provide an audio search mode that allows search for audio on any selected channel on any of up to four transports. In this mode the tape will move automatically at 100 times recorded speed over blank tape until audio is detected. The transport will then go into play and remain in play until asked to search again by touching the soft key or approximately 10 seconds of silence are encountered. ANY SEARCH SPEED BELOW 40 TIMES NORMAL PLAY SPEED IS NOT CONSIDERED MEANINGFUL. PLEASE CERTIFY YOUR SEARCH SPEED ON AN ATTACHED PAGE.

2.13 The central control CRT master time clock shall keep correct time from the internal UPS battery during an external power failure for a minimum of 24 hours. Upon restoration of external power master time shall be generated and the individual clocks in each transport will be set with the master clock time/date.

2.14 The central control CRT shall contain the capability to have a 3 digit machine ID number programmed into the system. This 3 digit number will be recorded on e a c h tape along with the time/date information and display on the CRT screen when a tape is played.

2.15 The central control CRT must allow the time of day when recording is to be transferred to the next deck to be programmed into the system. This transfer must o c c u r automatically, everyday, controlled by the central controller and not rely on any mechanical sensors or clocks. The controller shall also provide an automatic transfer when approximately 2 hours of tape is remaining as well.

2.16 Working in conjunction with the search for audio function, the central control CRT shall provide the ability to auto rerecord. This feature will facilitate the automatic rerecording of one or more channels on a single channel of an external tape recorder. It must provide the rerecord tape recorder with a start/stop signal as well. This function shall eliminate gaps automatically without operation attendance or manual operation.

2.17 The central control CRT shall have the ability to auto-restore on any of up to four transports to a clean tape position just beyond the last recorded message on the tape and automatically go into the ready to record mode.

2.18 The central control CRT shall be capable of being programmed to provide automatic start up and automatic shut down of the entire system at preset times on preset days.

2.19 The central control CRT shall offer complete system security and allow only operations with the right level clearance to access specific functions. This will be accomplished by multiple levels of access by programmed passwords.

2.20 The central control CRT shall display visual alarms and sound audible alarms when any system malfunction is detected. These visual alarms will appear on the CRT a indicate where the failure occurred. These prompts are #AMP FAILURE", #SAFE SCAN FAILURE", #POWER SUPPLY FAILURE", #LOW FREQUENCY FAILURE", #HIGH FREQUENCY FAILURE", etc. The audible alarm will sound in two distinct ways; one indicating minor failure and one indicating major failure.

2.21 The master time clock in the central control shall accept time synchronization signals from a variety of external sources including IRIGE. The master clock shall a l s o provide a time sync signal to an external time allowing it to become the master for an entire system.

2.22 The central control CRT shall contain complete service diagnostic routine to allow a service technician to automatically trouble shoot a system and locate faults to the board level.

2.23 The diagnostics routine shall contain a user mode that allows auto tape-load diagnostics to the programmed. This will occur automatically each time a new reel i s loaded on a transport. This will verify recording, time code, high & low frequency response and safe scan operation; then switch the transport into #ready" t o record mode and display #PASSED" or #FAILED" on the CRT screen.

2.24 The amount of tape remaining shall be displayed for each transport module on the CRT screen in hours and minutes.

2.25 The central control CRT shall allow the selection of an #over record" protection mode. The system while in this mode shall not allow an operator to place a deck i n t o record when previous recording is present on the tape loaded for use.

2.26 The central CRT Controller shall allow the language selection of either English, German, Spanish, or French to be displayed.

2.27 The central CRT controller shall allow alerts to be cleared without removing the deck from the record mode.

2.28 The central CRT controller shall allow for the pre-programming of the transfer to and from daylight savings time automatically.

2.29 The central CRT controller shall provide in addition to 3 levels of password security, the ability to restrict access to certain decks within a system as well.

2.30 The central CRT controller shall display which deck has been selected as the archive or primary deck.

3.00 ELECTRONICS/AUDIO

3.01 All electronic circuits shall be of modular construction and arranged for quick replacement by using plug in cards. All plug in cards shall be accessible from the front of the cabinet.

3.02 All recorder inputs should be 60k OHMS, balanced bridging and transformer isolated. To facilitate the balancing of all input levels, a variable level control shall be associated with each channel to permit operation with audio line levels between -30 dBm and +10 dBm. Such controls shall be easily accessible.

3.03 The input level shall be jumper selectable at a preselected range of -10,0, +10 or +20 dBm.

3.04 The universal audio inputs provided shall be jumper selectable for either current sensing telephone coupler operation, voltage sensing telephone coupler operation, VOX operation, external start and be FCC approved for direct connection to the telephone system.

3.05 Record amplifiers shall be furnished providing AGC operation with a range of 40 dB minimum and attack time of less than 17 ms. Recovery time shall be 200 ms typical for a -20 dB step change. The compression shall be 3 dB maximum variation in record level for a 40 dB change in input level. These plug in cards shall be mounted in an area with adequate space for the requirements of up to 120 channels per module with a maximum of 2 modules providing space for 240 channels.

3.06 Playback preamplifiers shall be mounted on plug in circuit cards with adequate space for the requirements of up to 60 channels per transport module. Playback preamplifiers shall be physically located close to the playback heads to allow for the best possible signal-to-noise performance.

*3.07 Signal-to-noise ratio shall be a minimum of -36 dB at standard record level or -42 dB at peak record level. The signal-to-noise ratio shall improve to -46 dB when the ANE circuit is enabled.

*3.08 Cross talk between channels shall be a minimum of -34 dB below recorded signal at standard record level or -42 dB when measured to peak record level.

*3.09 Wow and flutter shall be a maximum of 0.5% weighted peak, at tape speed of 15/32 inches per second. Within the head bridge area, free tape span measurements shall not exceed two inches.

*3.10 Limited only by tape characteristics, distortion shall be 3.0% Third Harmonic Distortion or less at standard record level at 500 Hz. Measurement to total harmonic distortion is unacceptable.

*3.11 At a tape speed of 15/32 in. per second, overall frequency response in both record and play mode shall cover a range of 300 -3000 Hz plus or minus 3 dB.

3.12 The depth of erasure shall be equal to the signal-to-noise ratio.

3.13 The bias frequency shall be 42kHz nominal.

4.00 TAPE TRANSPORT MODULES

4.01 Each tape transport mechanism shall be designed to slide out of the cabinet in its own drawer for ease of access to all components.

4.02 Each transport shall be capable of recording from 4 to 60 channels.

4.03 When two or more transports are provided, they shall be identical and inter-changeable. Each transport shall function as a standby for the other in the event of tape run-out, tape breakage or any other failure leading to the interruption of the recording function. The transfer from one transport to another shall be automatic, with manual override. A visual and audible alarm shall be provided to indicate such failure and/or transfer.

4.04 Each transport shall be designed for #straight line" tape threading.

4.05 For economical tape usage, each transport shall utilize such head design as to allow the recording and playback within the requirements of the #Electronics" portion of this specification, up to 8 channels on 1/4 - inch tape, up to 20 channels on 1/2 -inch or 1 - inch tape and up to 60 channels on 1 - inch tape.

4.06 Head assemblies shall be replaceable, without making azimuth or zenith adjustments. Head plug-in connectors shall be arranged such that heads cannot be disconnected. The heads, stationary tape guides and corning guides shall all be mounted on one precision milled bridge plate that absolutely precludes any tape mishandling due to transport warping.

4.07 In two or more transport arrangements, it shall be possible for the tape on any transport to be rewound or played back (when standby operation is not required) without danger of erasing or affecting the operation of another transport in any way.

4.08 It shall be possible for two or more transports in a given system to be capable of simultaneous recording, without the need for modifications, additional amplifiers, power supplies, etc.

* **#Dictatape" or approved equal must be used.**

4.09 Each transport shall provide at least 25 hours of continuous recording, using 3600 feet of 1.0 mil base tape, operating at a speed of 15/32 inches per second.

4.10 Each transport shall be of a 3-motor design with the tape drive system incorporating a brushless DC-Servo speed controlled capstan motor. The drive system shall be of dual differential capstan or closed loop design. Capstan pressure rollers shall turn on precision ball bearings and shall be constructed of polyurethane to insure constant tape drive without degradation due to hardening, wear, or changes due to contact with any type of head cleaning solvent. The take up motors shall be brushless DC, torque or speed controlled.

4.11 In fast forward and rewind modes, the oxide side of the tape shall come in contact with the tape guides and the tape lifters only. These tape guides shall be of such design as to eliminate lateral tape strain or side pressure in the head area due to variations in the reel packing geometry.

4.12 Each transport should incorporate a double solenoid type of braking system to ensure smooth and coordinated braking of both reels. Braking time shall be adjustable. Average braking time shall be approximately 4 seconds, with a maximum of 6 seconds from maximum fast forward or rewind speed. The braking shall automatically engage upon external power failure.

4.13 The braking system shall incorporate a #tape in motion" optical sensing device which shall prohibit engagement of the transport into playback mode until braking i s absolutely complete, even though a playback command has been entered by the operator. This device shall completely eliminate the possibility of tape spillage o breakage under such operational conditions. This system should also monitor spindle rotation on both the tape up and supply reels to detect any tape break, spill o r stall.

4.14 The following manual control buttons in addition to the central Control CRT switches shall be provided for each transport: READY, RECORD, STOP, PLAY, FAST FORWARD, REWIND. Each shall be of non-locking design. Control circuitry shall be provided with memory logic to allow the operator to rapidly enter two control commands without waiting for the transport to #catch up" with the first command. (Example: while in REWIND mode, sequentially operate STOP and PLAY commands.)

* **#Dictatape" or approved equal must be used.**

4.15 It shall be unnecessary to use the STOP button as an intermediate control command.

4.16 To enter RECORD mode, the transport must first be in the READY mode.

4.17 The system shall provide ease of #jogging" operation by first depressing the PLAY button. The FAST FORWARD and REWIND buttons shall become momentary controls after play has been entered.

4.18 In order to ELIMINATE EXCESSIVE HEAD AND TAPE WEAR, under all FAST FORWARD and REWIND conditions, the tape shall be totally free of any mechanical contact with the heads unless the automatic or manual search function has been entered at the central control CRT.

4.19 A full track erase head shall be provided with each transport, assuring #clean" tapes prior to recording.

4.20 Each tape transport shall be capable of accepting 10 1/2, N.A.B. reels without auxiliary hub adapters being required.

4.21 One reel of recording tape and one tape-up reel shall be provided with each transport.

4.22 The following LED indicators shall be provided on each transport in addition to the indicators on the central CRT control; READY activated by depressing READY button (allows transport to receive transfer from another transport upon failure) and RECORD provides visual indication of RECORD Mode. Three other L E D ' s , a moving-bar LED and two arrow LED's shall be located on the front of the transport drawer to indicate tape motion and direction.

4.23 Each tape transport should incorporate a memory feature which shall return the transport to the previously selected mode following a total loss of power. (i.e. return to RECORD mode if in RECORD mode prior to the expiration of the UPS battery.)

4.24 Multiple transport systems shall perform an automatic transfer of the transports in RECORD mode on a daily basis at any selectable time. Manual override of this feature shall be possible.

4.25 Each tape transport drawer module shall not require more than eleven inches of vertical cabinet mounting space.

4.26 Each transport module shall contain all electronics necessary for audio recording, time code recording, playback and safe scan monitoring functions for up to 60 channels provided by its own dedicated microprocessor.

4.27 Each transport module drawer shall be equipped with an electronic lock that prevents access without entering a password in the central control CRT. The transports shall have the capability of being opened with a key in the event an extended power failure prevents operation of the electronic lock.

4.28 The time code generator within the transport modules dedicated microprocessor shall write a code on the tape that contains a 3 digit programmable machine identification number, system deck number, year, month, day, hour, minute and second. This time code will be synchronized to the master clock in the central C R T control. This time code will be multiplexed and allow full use of this channel for audio recording. All channels must meet the published overall specifications.

4.29 Should master synchronization be lost, the time will be kept from an internal crystal oscillator within each transport and automatically resync to master time when it resumes.

4.30 The automatic safe scan within each transport module shall monitor the 80Hz guard tone and the time code channel. The safe scan shall take no more than 1.875 seconds to check 60 channels. The safe scan will alert the central control CRT if any failure is detected.

4.31 From the central control CRT the safe scan fail time shall be programmable from 8 to 60 seconds.

4.32 From the central control CRT, it shall be possible to program the automatic safe scan to skip unused channels.

4.33 In addition to safe scan the transport module microprocessor shall monitor its own bias level, tape speed, spindle rotation and alert the central control CRT if any malfunction is detected.

4.34 It shall be possible to field expand any transport to a larger channel configuration within the transport tape sizes.

4.35 The transport shall be designed for horizontal mount in a sliding drawer or vertical mount in a 19# rack.

4.36 The quoted system new transport design shall not obsolete the usage of tapes recorded on the previous model and shall play those tapes back and provide time/date search capability.

4.37 The individual transports shall contain a program that automatically slows the reels at the beginning of tape or end of tape in the fast forward and fast rewind operations providing gentle tape handling.

4.38 It shall be possible to select VOX operation by transport, allowing one or more transports to run continuously or one or more transports to run VOX.

4.39 It shall be possible to provide two tape transports recording active communications backed up by one tape transport providing 50% redundancy. This two over one configuration shall be completely standard and require no mechanical or software modifications.

4.40 It shall be possible to provide three tape transports recording active communications backed up by one tape transport providing 33% redundancy. This three over one configuration shall be completely standard and require no mechanical or software modifications.

4.41 It shall be possible in either the two over one or three over one configuration to run the stand by deck in parallel with any of the on line transports, providing a #scratch pad" operation. When this function is selected, any failure on a primary record transport will cause the scratch pad operation to cease and transfer failed transport recording to the stand by deck automatically.

5.00 ELECTRICAL

5.01 Commercial power requirements shall be 95-125 volts A/C 60Hz or a dedicated DC power source.

5.02 The entire system shall be designed to minimize heat dissipation. Maximum power consumption shall be less than 625 watts/7.5 amps (850 watts peak).

5.03 The self contained power supply shall convert the main A/C voltage to 18 volt D/C voltage and provide this to all components of the system.

5.04 The power supply module shall include an internal 18 volt sealed lead acid battery that will provide all operating voltages to provide full operation of an entire system for at least 10 minutes upon failure of the commercial power source. This UPS system shall be an integral design feature of the system and any commercially purchased and added external computer type UPS systems are not acceptable. Please state if UPS quoted is part of the internal design architecture or a separate purchased accessory providing a battery converting to A/C to run the system when main A/C failure occurs.

5.05 There shall be space within the power supply module to provide an optional fully duplicated D/C power supply. This optional second power supply will remain in t h e standby mode and come on line if any failure is detected in the primary power supply.

5.06 The following indicators will be located on the front panel of the power supply module.

1. Primary power module 1 & 2 - O.K.

2. Backup module 1 & 2 - O.K.

3. Battery in use

4. Battery charging

Also located on this front panel is a key operated on/off switch.

When the key is turned to the off position, the internal battery is disconnected and the entire system is turned off.

5.07 The primary power supply shall provide DC for all operating transports. Upon failure the secondary power supply shall also provide DC power for all transports. Any system quoted providing back up power dedicated to only one transport is unacceptable. Please describe back up power engineering method and attach to response.

6.00 PHYSICAL

6.01 All system elements shall be arranged for 19# rack mounting and transports shall be mounted horizontally in locking sliding drawers housed in a cabinet of the following dimensions:

Standard Cabinet 67# HExpanded Cabinet88" H24# W24" W $ D32" D

6.02 The 67# standard cabinet shall be capable of housing 2 transport modules, 1 amplifier module, 1 CRT central controller module, 1 accessory module, 1 power supply module, up to 120 amplifiers and up to 120 telephone/radio interface cards.

6.03 The 88# cabinet shall be capable of housing 4 transport modules, 2 amplifier modules, 1 CRT central controller module, 1 accessory module, 1 power supply module, 240 record amplifiers and 240 telephone/radio interface cards.

6.04 The weight of the full 67# cabinet shall not exceed 400 lbs. and the weight of the full 88" cabinet shall not exceed 600 lbs.

6.05 Must provide a stable, rolling caster, UL approved base assembly for easy movement but not tip over.

7.00 ENVIRONMENTAL SPECIFICATIONS

7.01 The storage temperature shall be -10 to 70 degrees centigrade.

7.02 The operating temperature shall be 5 degrees centigrade to 32 degrees centigrade.

7.03 The operating relative humidity shall not exceed 90% RH non-condensing.

7.04 The average BTU's generated by a fully operating recorder reproducer shall not exceed 1000 BTU's per hour.

8.00 OPTIONAL ITEMS

8.01 A FULL FUNCTION CRT REMOTE CONTROL WORK STATION shall be provided. This microprocessor driven unit will permit full control of the master recorder from a remote location. The CRT screen must show status of this system as a whole and each transport up to four independently. All record search and playback operations shall be directed with state of the art multifunction controls, volume control speaker, headset jack and manual control strip identical to the master recorder must be on this panel. Space shall be available to house a full function cassette record panel to work in conjunction with the remote. Up to four of these work stations may be installed with one system. Automatic privacy shall b e provided when multiple work stations are used.

8.02 A CASSETTE RERECORD PANEL shall be provided. This standard cassette, one channel recorder shall be built onto a panel not to exceed 1.75# high and 19" wide. This unit must install into the cabinet of either the master recorder, portable reproducer or remote control console. The cassette panel must contain these controls, VOX record, continuous record and eject tape. The panel shall contain LED indicators for #Audio Recording", #VOX Record" and continuous record. This module shall also contain a second track where the digital time being reproduced is converted to a voice time and recorded on that track.

8.03 A complete BACK UP DC POWER SUPPLY shall be provided that switch on upon will automatically switch on upon any failure of the primary unit. This power supply will provide all of the DC voltages needed to operate an entire system of up to four transports. The following LED indicators shall be on the front of the power supply module. Primary module 1 and 2 #OK", back up module 1 and 2 #OK", battery #in use" and battery charging.

8.04 An optional TELEPHONE-BEEPING UNIVERSAL INPUT coupler shall be available for each designated telephone line or work position to be recorded. The universal input shall replace the standard non-beeping universal inputs that are provided as standard with the system. The beeper universal inputs shall be FCC approved and provide a beep every 15 seconds.

8.05 A REMOTE ALARM AND STATUS PANEL shall be provided which will give audible and visual indications of any failure condition at a remote location for up to four transports. This panel shall be 19# rack mountable with an optional desk top enclosure.

8.06 AUDIO SIGNAL ACTIVE COMBINERS which electronically combine two audio sources (i.e. duplex radio system) into one audio input to the recorder shall be provided. These combiners must include individual input control adjustments and be part of the universal inputs.

8.07 SLAVE CLOCKS with bright LED displays and slaved to the Series 9000 system master time clock shall be provided. These clocks shall be rack mountable in 1.75# high slots in a 19" rack or desk top mounted or a MATRIX WALL CLOCK version shall also be provided displaying hours, minutes and seconds with a scrolling date/display every minute.

8.08 A REDUNDANT SET OF RECORD AMPLIFIERS shall be provided that will automatically switch on should any malfunction be detected in the primary record amplifiers. When these back up amplifiers are installed, along with a backup power supply in a two transport system, 100% system redundancy shall be possible with out effecting individual transport operation or total system operation. Systems that fail an entire transport on amplifier or power supply failure are unacceptable.

9.00 PORTABLE REPRODUCER/TRANSCRIBER

9.01 A SINGLE TRANSPORT PORTABLE REPRODUCER completely compatible with the associated voice communication recorder/reproducer shall be provided.

9.02 This system shall be designed to reproduce the tapes recorded on the master recorder and provide a playback display of the recorded time/date along with machine ID# information.

9.03 This reproducer shall include a CRT MONITOR that displays a series of easy to read screens. This monitor shall have a membrane switch containing five soft keys, a dedicated #previous screen" key, numeric key pad and a soft membrane search strip associated with it identical to the master recorder.

9.04 The tape transport shall be of IDENTICAL design as the MASTER RECORDER but have no record or erase capability.

9.05 The following control buttons shall be provided on the tape transport in addition to the CRT control switches REWIND, FAST FORWARD, PLAY, STOP, SPEED CONTROL AND AUTOMATIC BACKSPACE SELECTION.

9.06 The reproducer shall meet all electronic/audio and electrical specifications of the master recorder.

9.07 The features AUTO-SEARCH, AUDIO-SEARCH, VARIABLE SPEED SEARCH, ACTIVITY MONITOR, MULTIPLE CHANNEL PLAYBACK AND AUTO RERECORD must be available on the playback system.

9.08 A VARIABLE SPEED CONTROL and ADJUSTABLE BACKSPACE CONTROL shall also be provided to facilitate transcription of prerecorded tapes.

9.10 All equipment and features listed above shall be housed in a portable carrying case, with dimensions not exceeding 40# in height, 24" in width and 24# in depth. A plexiglas door shall be included that covers the entire front of the case. Total weight should not exceed 90 lbs.

9.11 The system will also inclued a built-in cassette rerecord panel with no modification to the cabinet.

9.12 The portable reproducer shall be fully compatible with the tape of the same size and channel configuration recorded on the vendors previous models. Auto search and time/date display functions shall be fully operational.

9.13 The portable reproducer shall include an empty tape reel, foot control to facilitate ease of transcription, as well as high quality headphones.

10.00 SUPPLIES AND ACCESSORIES

10.01 Head demagnitizer and cleaning kits shall be provided.

10.02 Bulk tape erasers shall be provided.

10.03 Extra take up reels shall be provided.

10.04 Tape splicers shall be provided.

10.05 Reels of 3600 ft, 1 mil thick, low noise recording tape shall be provided. Any tape with thickness less than one mil or not specifically designed for slow speed voice recordings is unacceptable.

10.06 Boxes of head cleaning pads made of material that does not shed or contain any solution not recommended by the manufacturer shall be provided.

1.0 **An inmate telephone monitoring software package** shall be provided. This package shall be capable of storing and indexing all SMDR (Station Message Detail Recording) information generated by a PBX or TIP and RING scanner.

1.1 This software must be completely operational when installed. After installation and acceptance, the vendor shall guarantee it for a period of one year and will provide any corrective upgrades or changes at no charge during such period.

1.2 The vendor shall guarantee support for the software described in this specification for a period of not less than 5 years.

1.3 Support personnel employed directly by the software vendor must be able to respond within one working day in the event support is required.

1.4 The successful bidder shall provide a comprehensive operational and installation manual with the software package.

1.5 The successful bidder shall provide full installation of this software.

1.6 The vendor shall provide on site training and instruction for operators. covering the complete software package. This training is to be performed by **direct employees of the software provider.**

2.0 Down Loading (SMDR) Call Records

The software shall provide for automatic down loading of the Call Records (SMDR Data) without operator involvement at a preprogrammed time. The capability to down load Call Records at any time shall be possible by selecting the appropriate menu choice.

3.0 Storage of Call Records (SMDR Data)

The software shall be capable of maintaining an unlimited number of call records (except the physical limitations of the storage media i.e. hard disk size) on line.

All call records must be stored on site and shall be available to the operator on demand. Any off premise storage of Call Records is unacceptable. Failure to meet this requirement is cause for bid rejection.

4.0 Archiving of Call Records (SMDR Data)

The software shall be capable of maintaining up to one full year of Call

Records (Subject only to hard disk size). The system management of these archived Call Records shall be completely automatic and transparent.

4.1 The system operator shall only need to set the initial parameters of the number of months to archive (up to 12) and the number of days to maintain on line (up to 90 days) and management shall be automatic.

4.2 Selection of archived months for on line use shall be accomplished from a menu selection containing a pop up list of all months currently in archive. Highlighting and selecting the desired month shall automatically load that month into the on line program. **Loading an archived month to on line use shall not take more than 5 seconds.**

5.0 Search and Retrieval of Call Records (SMDR Data)

It shall be possible to search and locate any specific Call Records from the on line data base by any of the following search fields:

1. Area Code
2. Phone Number
3. Date
4. Time of Call
5. Length of Call
6. Channel Location on Voice Logger
7. Booth or Pay Phone Location

5.1 **The search method shall be incremental.** As each number is typed into the search field the system shall instantaneously locate that number and for each subsequent number, continuing this incremental search until the full number is typed in and located. The software must locate at or near the typing speed of the operator.

6.0 Case Files

Case files shall be available to store information obtained from call investigations and SMDR Data.

6.1 **The Location File** shall hold specific information on the location of the telephone number dialed. This information shall be in the format of, name, address and activity at that telephone location. There shall be the capability to enter free form notes relating to this location. This file, once opened shall always be assigned to the location telephone number, so that when ever that location number is selected from the on line Call Records, the file is automatically available.

6.2 **The Call Record File** shall store the information for a specific telephone call. This file shall contain the area code, telephone number, inmate making call, date, time, length of call and any other specifics regarding that specific telephone conversation. This call record file shall be permanently linked to the location file for all future searches. **<u>If a call record is being viewed, it shall be possible to view the linked location file with a single key stroke.</u>**

6.3 <u>The Inmate File</u> shall be available for each inmate in the facility. This file shall contain ID number, name, aliases, affiliation, and free form notes for general comments on that specific inmate. The software shall provide the capability to link an inmate file to a specific call record file. **<u>While viewing a call record file it shall be possible to view the linked inmate file or location file with a single key stroke.</u>**

7.0 <u>Telephone Books</u>

The software shall provide a method to associate individual telephone numbers with specific inmates, agencies or staff members.

7.1 <u>The Inmate Telephone Book</u> shall allow for all known telephone numbers specific to each inmate to be stored along with a brief description of each number.

7.1.1 The software shall allow any telephone number within any inmates telephone book to be selected for automatic reporting. This report shall notify the operator of every telephone call made to any selected telephone number during the reporting period. This report shall contain inmate ID and name, number called, date, time, length of call, channel on the voice logger and whether a case or location file has been opened on that call record.

7.2 <u>The Agency Telephone Book</u> shall allow for telephone numbers of specific interest to any outside agency to be stored along with a brief description of each number.

7.2.1 The software shall allow any telephone number within any agencies telephone book to be flagged for reporting. When the agency report is run, all numbers selected that were called during the report period shall be listed. Each agency report shall be reported separately.

7.3 <u>The Staff Telephone Book</u> shall allow for telephone numbers specific to each staff number to be stored.

7.3.1 The software shall allow for automatic reporting of any calls made to the selected numbers from a monitored inmate telephone.

8.0 <u>The software package shall contain the ability to generate reports.</u> These reports shall be either automatic at a preprogrammed time or upon demand. These reports shall be sent to a printer, screen or to a disk file if the printer or screen are not secure. Automatic reports shall include inmate, agency, and staff reports generated from the information stored in the telephone books. These reports can be manually produced at any time as well.

8.1 <u>The Phone Summary Report</u> shall provide a listing of all outside numbers called and what inmates are calling a specific number. All case files including <u>**location**</u>, <u>**call**</u>, and <u>**inmate**</u> must be available for viewing with one key stroke if a call report is selected.

8.2 <u>The Inmate Summary Report</u> shall show all numbers called by a specific inmate. All case files, including <u>**location**</u>, <u>**call**</u> and <u>**inmate**</u> must be available for viewing with one key stroke if a call record is selected.

8.3 <u>The Case Summary Report</u> shall include all numbers called that are under investigation and linked through the same case number. All case files pertaining to a phone location shall be available with one key stroke. Highlighting a specific call record in a case report and selecting it shall display a <u>**complete case summary**</u> with <u>**inmate**</u>, <u>**call**</u> and <u>**location files**</u> shown on <u>**one**</u> screen.

9.0 For site installations involving <u>under</u> 100 monitored lines, minimum computer configuration shall consist of: <u>**32-bit 386 Microprocessor, Clock Speed 33-MHz with 64K Cache, 33-MHz 387 Coprocessor Supported, 6 Expansion Slots Available, 4MB Ram expandable to 16MB, 1.44-MB 3 1/2-inch Diskette Drive, 120-MB Fixed Disk Drive, Internal Tape Drive capable of entire Fixed Drive Back-up, 101 Key Board, 1 Parallel/2 Serial Ports, 14" VGA Color Monitor, FCC Class B Certified, 9600 baud MNP/5 & V.42bis data compression Modem, DOS 4.01 or 5.0, 500 Watt UPS, Component Power Switching System, Parallel Printer Switch with Buffer, & Parallel Printer Cable.**</u>

9.1 For site installations involving <u>over</u> 100 monitored lines, minimum computer configuration shall consist of: <u>**32-bit 486 Microprocessor, Clock Speed 33-MHz with 128K Cache, 6 Expansion Slots Available, 12MB Ram expandable to 100MB, 1.44-MB 3 1/2-inch Diskette Drive, 320-MB Fixed Disk Drive, Internal Tape Drive capable of entire Fixed Disk Back-up, 101 Key Board, 1 Parallel/2 Serial Ports, 14" VGA Color Monitor, FCC Class B Certified, 9600 baud MNP/5 & V.42 data compression Modem, DOS 4.01 or 5.0, 700 Watt UPS, Component Power Switching System, Parallel Printer Switch with Buffer, & Parallel Printer Cable.**</u>

MINIMUM SYSTEM COMPONENTS

LOGGER SYSTEM COMPONENTS

SYSTEM COMPONENTS A	CBCC	MICC	TRCC	WCC	WCCW	WSP	WSR	TOTAL
9605 DICTAPHONE LOGGER	1	1	1	2	1	2	1	9
9605 POWER SUPPLY	1	1	1	2	1	2	1	9
REMOTE CRT W/REC	1	1	1	2	1	4	1	11
9600 REPRODUCER W/REC	1	1	1	1	1	1	1	7
ARCHIVE TAPE SUPPLY	365	365	365	730	185	730	365	3105
BULK TAPE ERASER	1	1	1	1	1	1	1	7
5yr CLEANING PADS (bx)	50	50	50	100	25	100	50	425
TIP RING SCANNER	1	1	1	2	1	2	1	9
POLLCAT BUFFER (512k)	1	1	1	1	1	1	1	7
SHORT HAUL MODEMS	2	2	2	2	2	2	2	14
DIGIT GRABBERS	1	1	1	2	1	2	1	9
HEADPHONES W/ACSRIES	1	1	1	2	1	2	1	9
CALLWATCH ver 3.0	1	1	1	1	1	1	1	7
SYSTEM INSTALLATION	1	1	1	2	1	2	1	9
1ST YR MAINT CONTRACT	1	1	1	2	1	2	1	9
2ND YR MAINT CONTRACT	1	1	1	2	1	2	1	9
3RD YR MAINT CONTRACT	1	1	1	2	1	2	1	9
4TH YR MAINT CONTRACT	1	1	1	2	1	2	1	9
5TH YR MAINT CONTRACT	1	1	1	2	1	2	1	9

COMPUTER COMPONENTS (NORTHGATE)

SYSTEM COMPONENTS B	CBCC	MICC	TRCC	WCC	WCCW	WSP	WSR	TOTAL
NORTHGATE 486/33, 340MB HD				1		1		2
NORTHGATE 386/33, 200MB HD	1	1	1		1		1	5
SVGA COLOR MONITOR	1	1	1	1	1	1	1	7
8MB EXPAN MEM (486 SYS)				1		1		2
4MB EXPAN MEM (386 SYS)	1	1	1		1		1	5
9600 BAUD INT MODEM	1	1	1	1	1	1	1	7
150MB INT TAPE DRIVE	1	1	1	1	1	1	1	7
2ND YR MAINT (486 SYS)				1		1		2
2ND YR MAINT (386 SYS)	1	1	1		1		1	5
pcANYWHERE HOST	1	1	1	1	1	1	1	7
NORTON BACKUP	1	1	1	1	1	1	1	7
POWER SWITCHING SYSTEM	1	1	1	1	1	1	1	7
SYSTEM UPS (700w)	1	1	1	1	1	1	1	7

MISCELLANEOUS SYSTEM COMPONENTS

SYSTEM COMPONENTS C	CBCC	MICC	TRCC	WCC	WCCW	WSP	WSR	TOTAL
ACCESS JOURNALS	2	2	2	2	2	2	2	14
ADVISAL/LOCATION SIGNS	120	125	70	150	25	75	70	635
ANTENNA, MAST, COAX	1	1	1	1	1	1	1	7
CASSETTE RECORDER	1	1	1	1	1	1	1	7
CASSETTE TAPE SUPPLY	150	150	150	300	150	300	150	1350
CASSETTE LABEL SUPPLY	1	1	1	2	1	2	1	9
CITY DIRECTORY (LOCAL)	1	1	1	1	1	1	1	7
DIRECT LINE PH INSTALL	1	1	1	1	1	1	1	7
DIRECT LINE (2YR BILLING)	1	1	1	1	1	1	1	7
PHONE/MODEM SWITCH	1	1	1	1	1	1	1	7
FREQ SCANNER	1	1	1	1	1	1	1	7

000369

REPLY SHEET TO APPENDIX C

Each statement the company can compy with must be initialed by the company representative authorized to negotiate this contract. For other responses requested, the answer must be given and initialed. If the company cannot comply with a statement, an "exception" must be noted. For each statement requiring additional information, a separate sheet must be provided and identified by the section, sub-section and number assigned.

	Can Comply	cannot comply
1.01	____________	____________
1.02	____________	____________
1.03	____________	____________
1.04	____________	____________
1.05	____________	____________
1.06	____________	____________
1.07	____________	____________
1.08	____________	____________
1.09	____________	____________
1.10	____________	____________
1.11	____________	____________
1.12	____________	____________

1.13 ______________ ______________

1.14 ______________ ______________

2.00 CENTRAL CONTROL CRT MODULE

2.01 ______________ ______________

2.02 ______________ ______________

2.03 ______________ ______________

2.04 ______________ ______________

2.05 ______________ ______________

2.06 ______________ ______________

2.07 ______________ ______________

2.09 ______________ ______________

2.10 ______________ ______________

2.11 ______________ ______________

2.12 ______________ ______________

2.13 ______________ ______________

2.14 ______________ ______________

2.15	______________	______________
2.16	______________	______________
2.17	______________	______________
2.18	______________	______________
2.19	______________	______________
2.20	______________	______________
2.21	______________	______________
2.22	______________	______________
2.23	______________	______________
2.24	______________	______________
2.25	______________	______________
2.26	______________	______________
2.27	______________	______________
2.28	______________	______________
2.29	______________	______________

2.30		

3.00 ELECTROCNICS/AUDIO

3.01		
3.02		
3.03		
3.04		
3.05		
3.06		
*3.07		
*3.08		
*3.09		
*3.10		
*3.11		
3.12		
3.13		

4.00 TAPE TRANSPORT MODULES

4.01 ______________ ______________

4.02 ______________ ______________

4.03 ______________ ______________

4.04 ______________ ______________

4.05 ______________ ______________

4.06 ______________ ______________

4.07 ______________ ______________

4.08 ______________ ______________

* #Dictatpe" or approved equal must be used.

4.09 ______________ ______________

4.10 ______________ ______________

4.11 ______________ ______________

4.12 ______________ ______________

4.13 ______________ ______________

4.14 ______________ ______________

* **#Dictaphone" or approved equal must be used.**

4.15	______	______
4.16	______	______
4.17	______	______
4.18	______	______
4.19	______	______
4.20	______	______
4.21	______	______
4.22	______	______
4.23	______	______
4.24	______	______
4.25	______	______
4.26	______	______
4.27	______	______
4.28	______	______
4.29	______	______
4.30	______	______

4.31 ____________ ____________

4.32 ____________ ____________

4.33 ____________ ____________

4.34 ____________ ____________

4.35 ____________ ____________

4.36 ____________ ____________

4.37 ____________ ____________

4.38 ____________ ____________

4.39 ____________ ____________

4.40 ____________ ____________

4.41 ____________ ____________

5.00 ELECTRICAL

5.01 ____________ ____________

5.02 ____________ ____________

5.03 ____________ ____________

5.04 ____________ ____________

5.05 ____________ ____________

5.06 ____________ ____________

5.07 ____________ ____________

6.00 PHYSICAL

6.01 ____________ ____________

6.02 ____________ ____________

6.03 ____________ ____________

6.04 ____________ ____________

6.05 ____________ ____________

7.00 ENVIRONMENTAL SPECIFICATIONS

7.01 ____________ ____________

7.02 ____________ ____________

7.03 ____________ ____________

7.04 ____________ ____________

8.00 OPTIONAL ITEMS

8.01 ____________ ____________

8.02 ____________ ____________

8.03 ____________ ________________

8.04 ____________ ________________

8.05 ____________ ________________

8.06 ____________ ________________

8.07 ____________ ________________

8.08 ____________ ________________

9.00 PORTABLE REPRODUCER/TRANSCRIBER

9.01 ____________ ________________

9.02 ____________ ________________

9.03 ____________ ________________

9.04 ____________ ________________

9.05 ____________ ________________

9.06 ____________ ________________

9.07 ____________ ________________

9.08 ____________ ________________

9.09 ____________ ________________

9.10 ______________ ____________________

9.11 ______________ ____________________

9.12 ______________ ____________________

9.13 ______________ ____________________

10.00 SUPPLIES AND ACCESSORIES

10.01 ______________ ____________________

10.02 ______________ ____________________

10.03 ______________ ____________________

10.04 ______________ ____________________

10.05 ______________ ____________________

10.06 ______________ ____________________

* PLEASE NOTE DIFFERENT NUMBERING SYSTEM!

1.0 ______________ ____________________

1.1 ______________ ____________________

1.2 ______________ ____________________

1.3 ______________ ____________________

1.4 __________________ __________________________

1.5 __________________ __________________________

1.6 __________________ __________________________

2.1 Down Loading (SMDR) Call Records

__________________ __________________________

3.0 Storage of Call Records (SMDR Data)

__________________ __________________________

4.0 Archiving of Call Records (SMDR Data)

__________________ __________________________

4.1 __________________ __________________________

4.2 __________________ __________________________

5.0 Search and Retrievsl of Call Records (SMDR Data)

1. ______________ ________________
2. ______________ ________________
3. ______________ ________________
4. ______________ ________________
5. ______________ ________________
6. ______________ ________________
7. ______________ ________________

5.1		
6.0		
6.1		
6.2		
6.3		
7.0		
7.1		
7.1.1		
7.2		
7.2.1		
7.3		
7.3.1		
8.0		
8.1		
8.2		
8.3		

9.0 ______________ ____________________

9.1 ______________ ____________________

CORRECTION CENTERS

CEDAR CREEK CORRECTIONS CENTER
Bordeaux Road
P.O. Box 37
Littlerock, WA 98556

CLALLAM BAY CORRECTIONS CENTER
Charlie Creek Road
HC 63, Box 5000
Clallam Bay, WA 98326-9775

INDIAN RIDGE CORRECTIONS CENTER
19601 Nicks Road
Arlington, WA 98223-9515

LARCH CORRECTIONS CENTER
15314 N.E. Dole Valley Road
Yacolt, WA 98675-9531

MCNEIL ISLAND CORRECTIONS CENTER
1403 Commercial Street
P.O. Box 900, MS: WT-01
Steilacoom, WA 98388-0900

OLYMPIC CORRECTIONS CENTER
HC-80, Box 2500
Forks, WA 98331

PINE LODGE CORRECTIONS CENTER
#1 Pine Street
P.O. Box C
Medical Lake, WA 99022

SPECIAL OFFENDER CENTER
16730 177th Avenue
P.O. Box 514
Monroe, WA 98272-0514

TWIN RIVERS CORRECTIONS CENTER
16920 164th S.E.
P.O. Box 888, MS: NM-85
Monroe, WA 98272-0888

WASHINGTON CORRECTIONS CENTER
Highway 102, Dayton Airport Road
P.O. Box 900
Shelton, WA 98584

WASHINGTON CORRECTIONS CENTER FOR WOMEN
9601 Bujacich Road N.W.
P.O. Box 17, MS: WP-04
Gig Harbor, WA 98335

WASHINGTON STATE PENITENTIARY
1313 N. 13th
P.O. Box 520
Walla Walla, WA 99362

WASHINGTON STATE REFORMATORY
16401 177th Avenue S.E.
P.O. Box 777, MS: NM-83
Monroe, WA 98272-0777

CORRECTIONS CENTERS
MONITORING/RECORDING EQUIPMENT

CLALLAM BAY CORRECTIONS CENTER
Charlie Creek Road
HC 63 , Box 5000
Clallam Bay, WA 98326-9775

MCNEIL ISLAND CORRECTIONS CENTER
1403 Commercial Street
P.O. Box 900, MS: WT-01
Steilacoom, WA 98338-0900

WASHINGTON CORRECTIONS CENTER
Highway 102, Dayton Airport Road
P.O. Box 900
Shelton, WA 98584

WASHINGTON CORRECTIONS CENTER FOR WOMEN
9601 Bujacich Road N.W.
P.O. Box 17, MS: WP-04
Gig Harbor, WA 98335

WASHINGTON STATE PENITENTIARY
1313 N. 13th
P.O. Box 520
Walla Walla, WA 99362

WASHINGTON STATE REFORMATORY
16401 177th Avenue S.E.
P.O. Box 777, MS: NM-83
Monroe, WA 98272-0777

WORK/TRAINING RELEASE FACILITIES

BELLINGHAM WTR
1127 North Garden Street
Bellingham, WA 98225

BISHOP LEWIS HOUSE WTR
703 - 8th Ave., MS: TB-08
Seattle, WA 98104

CLARK COUNTY WTR
700 West 13th Street
P.O. Box 61447, MS: S-25
Vancouver, WA 98666

CORNELIUS HOUSE WTR
W. 1215 Mallon
Spokane, WA 99201

LONGVIEW WTR
1226 - 11th Ave.
P.O. Box 1216, MS: S-9
Longview, WA 98632

OLYMPIA WTR
1800 - 11th Southwest
P.O. Box 7689, MS: FN-61
Olympia, WA 98507

PIONEER WTR
220 - 11th Ave., MS: TB-10
Seattle, WA 98122

PROGRESS HOUSE WTR
5601 - 6th Ave., MS: WT-25
Tacoma, WA 98406

RAP/LINCOLN HOUSE WTR
3704 South Yakima, MS: WT-13
Tacoma, WA 98408

REYNOLDS WTR
410 - 4th Ave., MS: TB-09
Seattle, WA 98104

YAKIMA/KITTITAS WTR
2011 South 64th Ave.
Yakima, WA 98903

ATTACHMENT C

DEPARTMENT OF CORRECTIONS
EQUAL OPPORTUNITY ASSURANCES

A. The Contractor hereby designates ______________________________
(Name) (Title)
as the person who has been charged with the responsibility for securing compliance with such contract provisions pertaining to equal employment opportunity and reporting progress in connection with the affirmative action to be undertaken herewith.

B. The Contractor will ensure that equal opportunity of employment results during the term of this Contract by taking a combination of, or all of the following affirmative steps; to ensure that equal opportunity of employment will result:

1. Notify, in writing, organizations that are active in recruiting women, minorities, and other protected groups of job positions available. A copy of the notification will be forwarded to the Office of Contracts and Regulations, Department of Corrections, P.O. Box 9699, Olympia, Washington 98504.

2. Make specific and constant recruitment efforts with organizations, schools, and/or training organizations that are owned or operated by women or members of minority groups.

3. Make specific efforts to encourage present women, minority, or employees of other protected groups to recruit other applicants for available job openings.

4. Seek out and negotiate with women or minority-owned contractors to receive subcontract awards.

5. Provide opportunities for advancement of women, minorities, or members of other protected groups employed in project.

6. Cooperate with organizations active in equal opportunities, in seeking and hiring staff.

7. OR, in lieu of the above subsection 1-6, shall take the following specific affirmative actions to ensure equal opportunities of employment. (If this portion is used, the statement must be specific and need not include any of the above subsection 1-6.)

000387

C. Contractor has given notice to his supervisors and other employees and subcontractors of the terms of the Affirmative Action to be undertaken.

______________________________ ______________

(Agency/Contractor) (Phone)

____

(Signature of Agency Director or Board Chairman)

000388

ATTACHMENT C

DEPARTMENT OF CORRECTIONS
EQUAL OPPORTUNITY ASSURANCES

A. The Contractor hereby designates ______________________
(Name) (Title)
as the person who has been charged with the responsibility for securing compliance with such contract provisions pertaining to equal employment opportunity and reporting progress in connection with the affirmative action to be undertaken herewith.

B. The Contractor will ensure that equal opportunity of employment results during the term of this Contract by taking a combination of, or all of the following affirmative steps; to ensure that equal opportunity of employment will result:

1. Notify, in writing, organizations that are active in recruiting women, minorities, and other protected groups of job positions available. A copy of the notification will be forwarded to the Office of Contracts and Regulations, Department of Corrections, P.O. Box 9699, Olympia, Washington 98504.

2. Make specific and constant recruitment efforts with organizations, schools, and/or training organizations that are owned or operated by women or members of minority groups.

3. Make specific efforts to encourage present women, minority, or employees of other protected groups to recruit other applicants for available job openings.

4. Seek out and negotiate with women or minority-owned contractors to receive subcontract awards.

5. Provide opportunities for advancement of women, minorities, or members of other protected groups employed in project.

6. Cooperate with organizations active in equal opportunities, in seeking and hiring staff.

7. OR, in lieu of the above subsection 1-6, shall take the following specific affirmative actions to ensure equal opportunities of employment. (If this portion is used, the statement must be specific and need not include any of the above subsection 1-6.)

C. Contractor has given notice to his supervisors and other employees and subcontractors of the terms of the Affirmative Action to be undertaken.

(Agency/Contractor)

(Phone)

(Signature of Agency Director or Board Chairman)

000390

PTI
COMMUNICATIONS

RFP RESPONSE
MONITORING/RECORDING EQUIPMENT PROPOSAL
No. CRFP 2562

STATE OF WASHINGTON
DEPARTMENT OF CORRECTIONS
OCTOBER 1991

Presented by:
PTI Communications
Peter Fong, Market and
Product Development Strategist
206-699-5991

Jon Erickson

Jon Erickson
Executive Vice President/General Manager - Western Region

11/7/1991

Date

000391

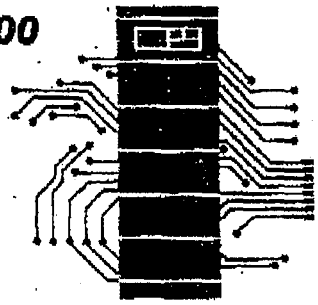
STATE OF WASHINGTON
DEPARTMENT OF CORRECTIONS
OCTOBER 1991

RFP RESPONSE
NO. CRFP 2562

TABLE OF CONTENTS

Dictaphone
A Pitney Bowes Company

Veritrac® Series 9000



CERTIFICATE OF TRAINING DICTAPHONE CORPORATION

Dictaphone Corporation and its authorized employees, agents, and/or dealers will be totally responsible for both installation and the maintenance of the recording equipment as well as inmate monitoring equipment for the duration of this RFP Contract. Only authorized representatives of Dictaphone will respond to the ongoing service, training and installations for the State of Washington RFP. This maintenance support will continue for the 5 year duration of this contract. This will serve as our Certificate of Training in response to the Washington RFP.

Gordon F. Moore
Vice President
Communications Recording Systems Division

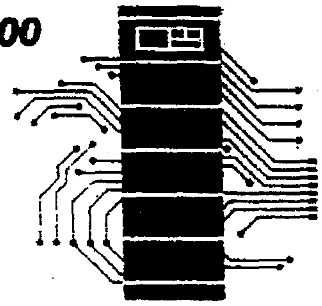
Notary: Date: 10/3/91

Corporate Seal

000393

Dictaphone
A Pitney Bowes Company

Veritrac® Series 9000



PRISON FACILITY REFERENCE LIST

Washington Department of Corrections

Oregon Department of Corrections

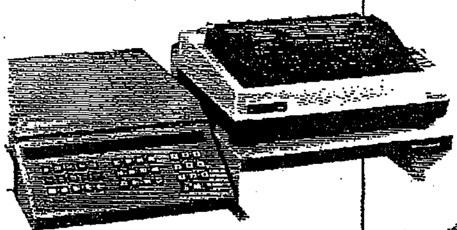
Alaska Department of Corrections

All of the above locations have fully redundant Series 9000 Hardware with Call Watch Inmate Monitoring System Software.

Pitney Bowes Logistics Systems and Business Services

Pitney Bowes Shipping and Weighing Systems

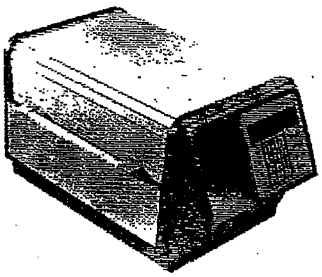
Pitney Bowes Shipping and Weighing Systems supplies computer-based systems, scales, parcel registers and software for logistics, traffic management, shipping and other logistics applications for a global market. Pitney Bowes Shipping and Weighing Systems' products are sold and serviced worldwide by a dedicated sales and service force of carrier management sales specialists, customer support representatives and other general sales representatives within Pitney Bowes Mailing Systems.

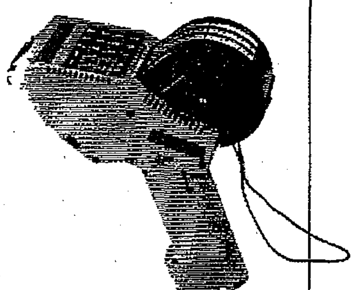


Pitney Bowes Shipping and Weighing Systems

Monarch Marking Systems

Monarch Marking Systems supplies bar code printers, software and supplies for merchandise marking, tracking and control systems for retailers and their vendors, as well as bar code data collection systems for all types of industries. Operating worldwide with more than 2,500 employees, Monarch is a market leader in the United States, Canada and Mexico and has solid positions in Japan, the United Kingdom, France and Australia. Monarch's products are manufactured in the United States, the United Kingdom, Singapore, Mexico, Canada and Australia and are sold in over 75 countries.

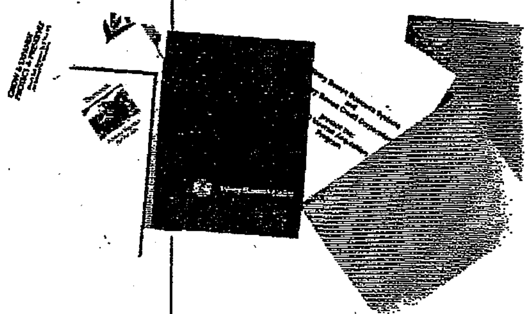




Monarch Marking Systems

Pitney Bowes Management Services

Pitney Bowes Management Services is a nationwide provider of custom-designed, contract management for all aspects of a customer's mailroom and copy center, providing all mail-related functions such as production mailing, reprographics, facsimile services and office supplies. Pitney Bowes Management Services serves a wide range of customers—legal and financial professionals, service organizations, retailers and manufacturers.



Pitney Bowes Management Services

Pitney Bowes Financial Services

Pitney Bowes Financial Services

With representation around the globe, Pitney Bowes Financial Services' companies provide lease financing programs for customers who acquire products of Pitney Bowes' companies; sales-aid leasing for vendors of non-competitive, small-ticket equipment; and other programs for a variety of financing needs for strong, credit-worthy customers. The Financial Services group consists of:

Pitney Bowes Credit Corporation - U.S.

Colonial Pacific Leasing Corporation - U.S.

Pitney Bowes of Canada Ltd. - Leasing Division

Pitney Bowes Finance PLC - U.K.

Adrema Leasing Corporation - Germany

Pitney Bowes Credit Australia Limited

Pitney Bowes Finance S.A. - France

000396

Pitney Bowes Financial Services

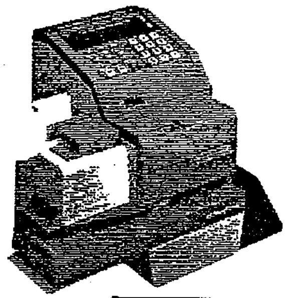
Business Supplies and Services

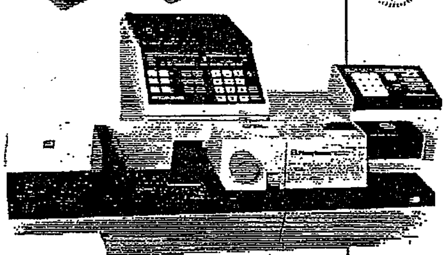
Financial Services

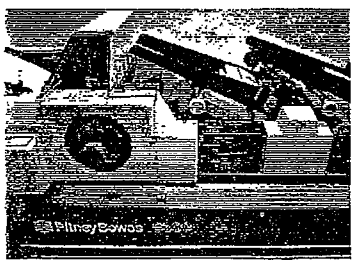
Pitney Bowes Mailing Systems | **Pitney Bowes Office Systems**

Pitney Bowes ling Systems

Pitney Bowes is the world-wide market leader in mailing systems. Pitney Bowes Mailing Systems markets a broad line of mailing, shipping and weighing systems and services to businesses, professionals and government agencies. It has direct sales and service forces of more than 7,000 in 16 countries, and dealers and distributors in about 90 other countries. Mailing and shipping equipment and systems for Pitney Bowes' markets worldwide are provided by the company's engineering, manufacturing and marketing operations in the United States and the United Kingdom.



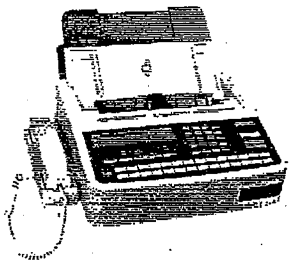


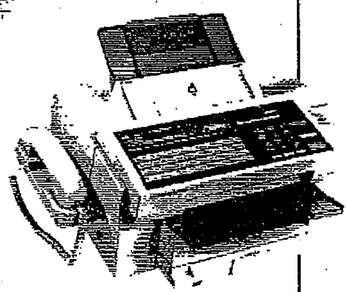


Pitney Bowes ling Systems

Pitney Bowes Facsimile Systems

Pitney Bowes Facsimile Systems is a leading supplier of high-quality facsimile equipment to large- and medium-sized businesses worldwide. In the United States, Pitney Bowes is the only facsimile systems supplier marketing solely through its own sales force. Customers are supported through a diagnostic center accessed through a toll free number. Outside the U.S., Pitney Bowes Facsimile Systems distributes products through direct sales organizations in key markets and through dealers in other markets worldwide.

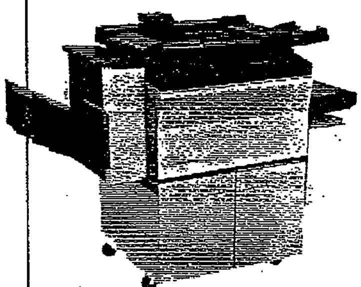




Pitney Bowes Facsimile Systems

Pitney Bowes Copier Systems

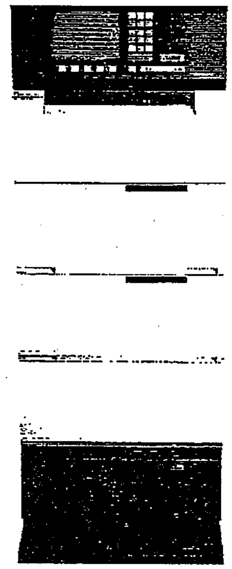
Pitney Bowes Copier Systems concentrates on new, higher-margin equipment serving larger corporations and multi-unit installations. Through a network of more than 1,400 direct sales and service representatives, including national account sales people, Pitney Bowes' copiers are marketed and serviced in all major markets in the United States. All Pitney Bowes' copiers are backed by the unmatched Total Package® copier support program which provides a broad range of highly reliable equipment, a single source for service and supplies and financing alternatives to meet individual customer needs.

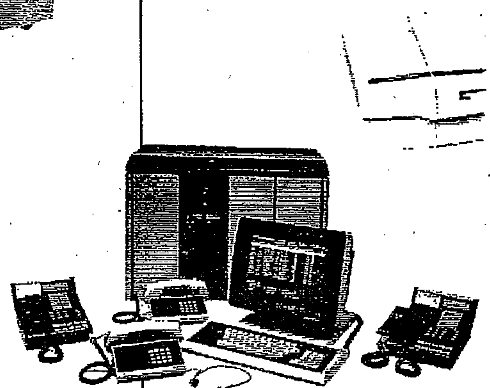


Pitney Bowes Copier Systems

Dictaphone

Dictaphone is the worldwide leader in voice processing systems. The company manufactures and markets small work group and central dictation and voice processing systems, communications recorders and portable and desktop dictation units. Products are marketed and serviced worldwide by 1,700 direct sales and service representatives.





Dictaphone

Business Equipment

Pitney Bowes Financial Reporting Segments

LETTER TO STOCKHOLDERS:

I ended my letter last year by describing the 1990s as an "exciting and challenging time for Pitney Bowes."

The first year of the decade, 1990, was an exciting year for Pitney Bowes because we made significant progress on many fronts: we expanded our horizons by exploring new markets, we made investments in products and services and introduced new products, and we reconfirmed our commitment to our customers in the strongest possible way.

The year was a challenging one for Pitney Bowes because we had to make some tough decisions. Such decisions are never easy, and they become more difficult when they have to be made in an unpredictable economy.

We believe that the steps we took in 1990 have enhanced the overall value of Pitney Bowes for the long-term benefit of our stockholders, our customers and our employees.

Pitney Bowes' 1990 revenue of $3.2 billion represented an 11 percent increase over the previous year. Net income was $213.3 million, or $2.68 per share, and return on stockholders' equity for the year was 13.4 percent.

For the ninth consecutive year, we increased the common stock dividend. Effective with the March 1991 payment, the quarterly cash dividend increased 13 percent to 34 cents per share. We had increased the quarterly dividend to 30 cents per share effective with the March 1990 payment.

Our sound financial position is reflected by the reaffirmation in 1990 of our high quality, long-term debt rating, by both Moody's (Aa3) and Standard and Poor's (AA). We regard these ratings as a confirmation of our long-term financial strength which will provide an excellent foundation for our continuing growth.

Among the major steps taken in 1990 was the strategic realignment of several businesses into three new business units for sharper marketing focus and improved productivity. Each of the new business units—Pitney Bowes Mailing Systems, Pitney Bowes Office Systems, and Pitney Bowes Logistics Systems and Business Services—has worldwide market scope and responsibility. Our fourth business unit, Pitney Bowes Financial Services, provides lease financing to customers of Pitney Bowes' businesses as well as other financial services for the commercial and industrial markets.

As part of the 1990 business realignment, our office systems businesses—Pitney Bowes Facsimile Systems, Pitney Bowes Copier Systems and Dictaphone—were linked together under a single executive officer.

During the year, we continued to make changes in our copier business. In the third quarter of 1990, we announced that the company would no longer remanufacture used copier equipment and would concentrate on new, higher-margin copiers. This resulted in an aggregate one-time charge against 1990 third-quarter, pretax earnings of $86.5 million, or 65 cents per share after tax. We believe these actions will have a positive impact on the company's competitive position and profitability.

In 1990, we continued to strengthen our international operations. Changes made in our Mailing Systems unit in Germany are yielding results, and we took steps to bring about improvements in our Australian operation. Pitney Bowes Financial Services further developed its operations in France and Australia. We also formed a joint venture in Taiwan to better develop the growth opportunities in the Asia Pacific region.

In 1990, we continued to make research and development investments consistent with our long-term growth objectives. Research and development spending in 1990 increased 25 percent over 1989, bringing our total investment over the past three years to more than a quarter of a billion dollars. This investment has resulted in numerous product introductions company wide, and we plan accelerated product introductions during the 1991-1993 time frame.

As further evidence of our commitment to technological leadership, we completed a new Technology Center which was dedicated during the year.

In addition, 1990 marked the first full year of the Customer Satisfaction Guarantee℠, Pitney Bowes' pledge to meet customer expectations. As part of our efforts to build on this special strength, we also established the post of Corporate Customer Advocate to assist in the implementation of our heightened customer focus.

We publicly reinforced our customer satisfaction philosophy by launching an advertising campaign featuring customer testimonials. Our commitment to customer satisfaction is also reflected in this Annual Report.

The year also brought other changes—changes that made Pitney Bowes an even stronger company.

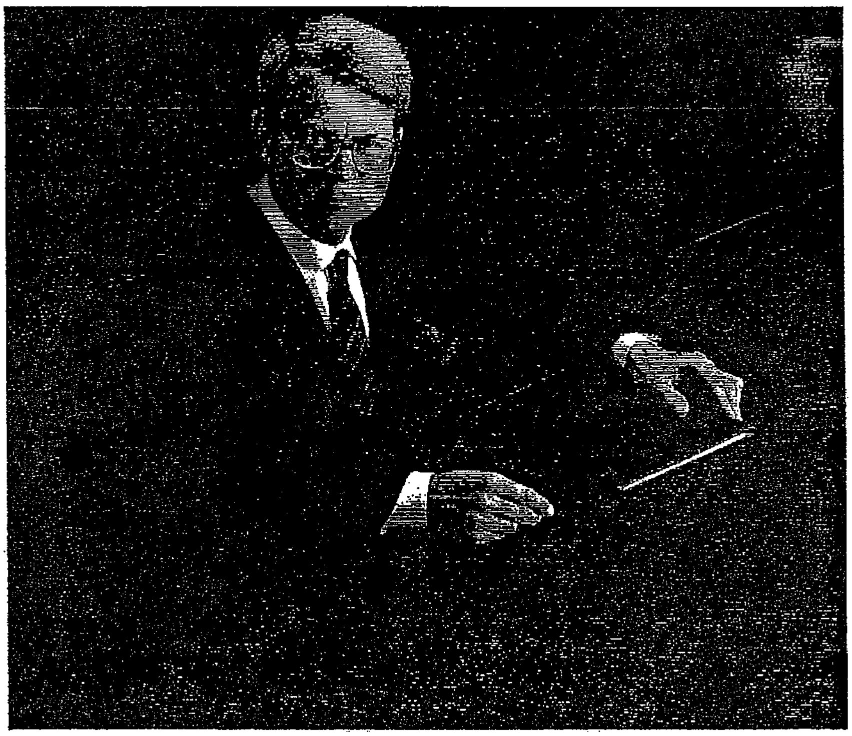
It was a year in which we took a good hard look at our values—and we discovered that they have not only served us well, they will continue to do so as we move through the decade.

It was a year in which our employees made a conscious effort to upgrade their skills and education. Highly motivated and self-directed, they are becoming even more productive in a technological environment that provides the capability to meet customer needs.

It was a year in which we worked even harder at building a culture that values diversity and develops relationships.

The strength of Pitney Bowes lies in its people—people who have the skills and dedication to make certain that Pitney Bowes' customers receive the best products and services worldwide.

The 1990s will continue to be an exciting and challenging time. Pitney Bowes, a strong company, is more than ready to meet those challenges. And we will work throughout the 1990s to make certain that Pitney Bowes enters the year 2000 as an even stronger and an even more competitive company.



And it was a year in which we reaffirmed our commitment to the communities where we operate, a tradition for which Pitney Bowes has been nationally recognized.

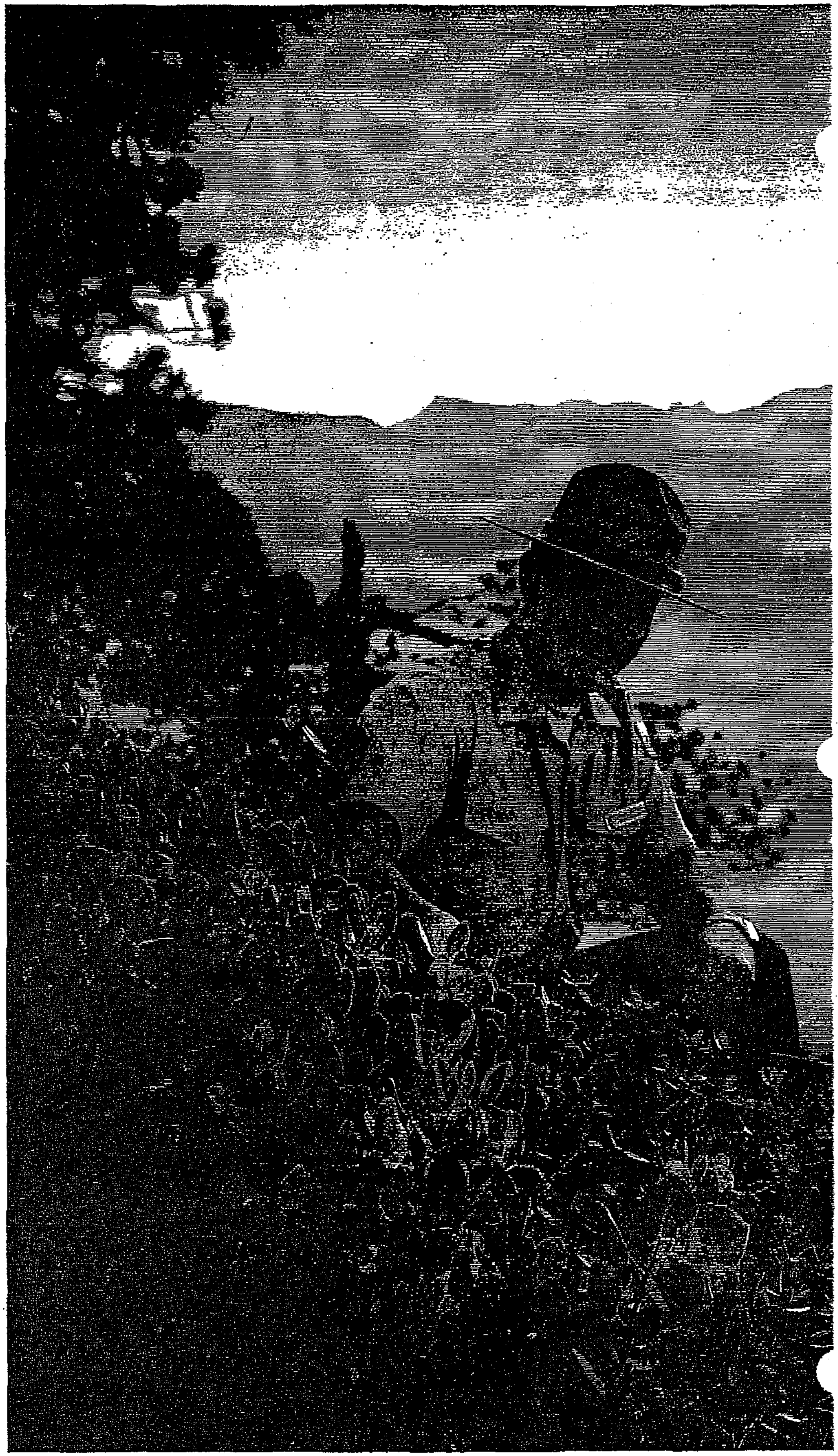
Sincerely,

George B. Harvey
Chairman and President
February 11, 1991

3000399

Customer Satisfaction: The National Park Service

The National Park Service needed more accurate accounting and better cost management of a mail system with almost 400 locations nationwide. Pitney Bowes had the answer. The Official Mail Reporting System (OMRS) with the Postage By Phone® meter resetting system was designed to make it easier and more efficient specifically for government agencies to manage their postal budgets. With the Postage By Phone system, the Park Service can centrally control quarterly postal expenditures and allocations at each of its almost 400 locations. Because Pitney Bowes created one master Park Service account, the Park Service receives one invoice each quarter rather than hundreds of invoices covering all its locations. With the Pitney Bowes master maintenance agreement, each location can call for service when needed—and the Park Service can track these costs with one invoice each quarter. With OMRS or its commercial counterpart, the Postage By Phone system, every mail system, regardless of size or complexity, can be managed conveniently and efficiently.

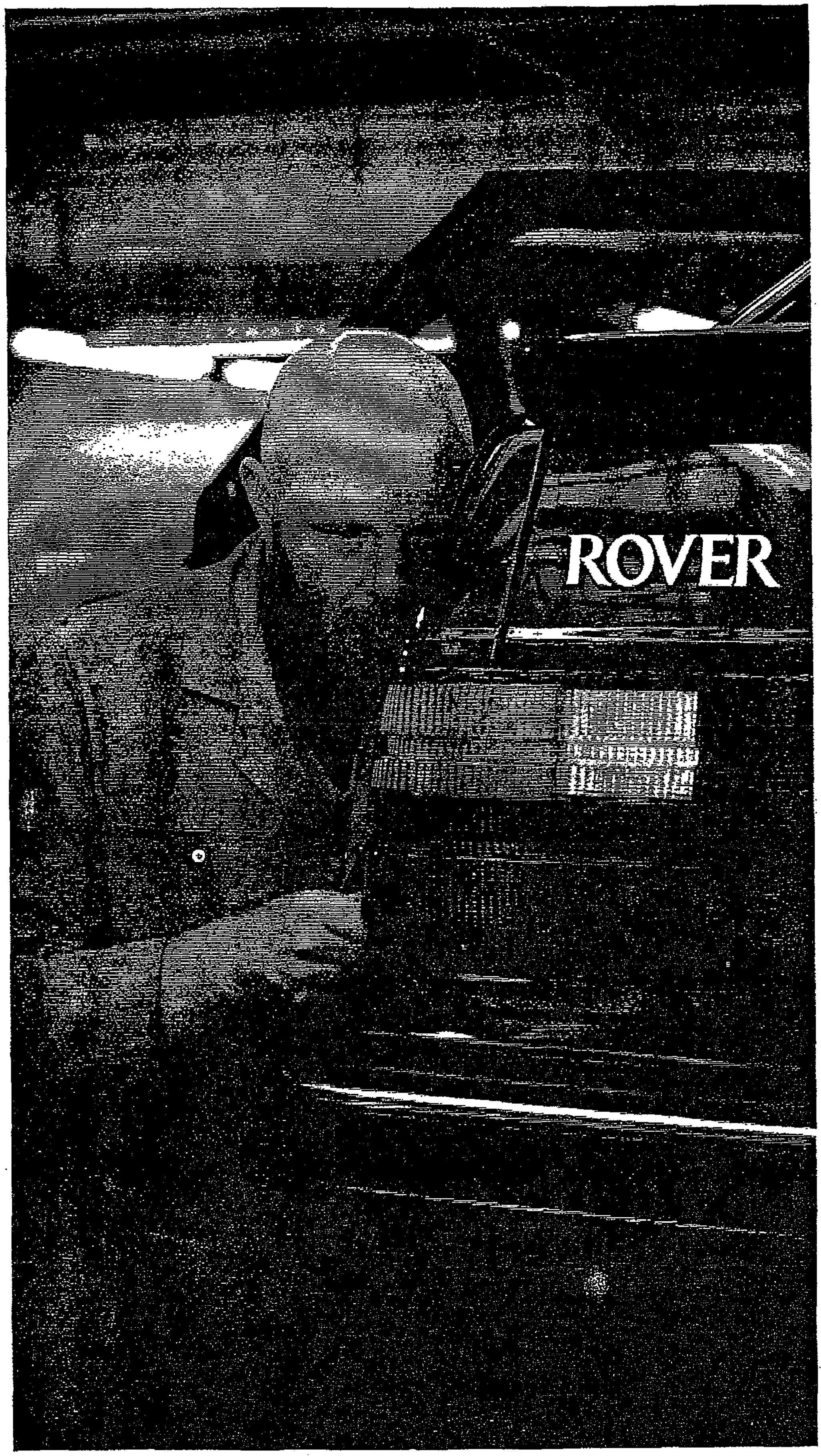


Brian Grogan of the Yosemite Association and tourists Aaron and Hannah Savage

5 000401

Customer Satisfaction: Rover Group PLC

Rover Group plc had a problem. Pitney Bowes' solution was perfect—Letter-Perfect™. Rover Group needed a way to regularly send Suggestion Scheme forms to 40,000 employees. Since the purpose of the Suggestion Scheme is to solicit ideas for cost savings and productivity, the solution had to be cost-effective and productive. Pitney Bowes suggested the Letter-Perfect folder/inserter. The compact, efficient Letter-Perfect is an affordable solution to the time-consuming, labor-intensive job of regularly folding and inserting 40,000 documents. Described as "user friendly" by the Rover staff, the Letter-Perfect requires minimal operator supervision. The Pitney Bowes Letter-Perfect is compatible with the paper handling goals of businesses like the Rover Group, where efficiency and cost-effectiveness are high priorities.



Paul Luland, Assembly Operator, Rover Group plc

000402

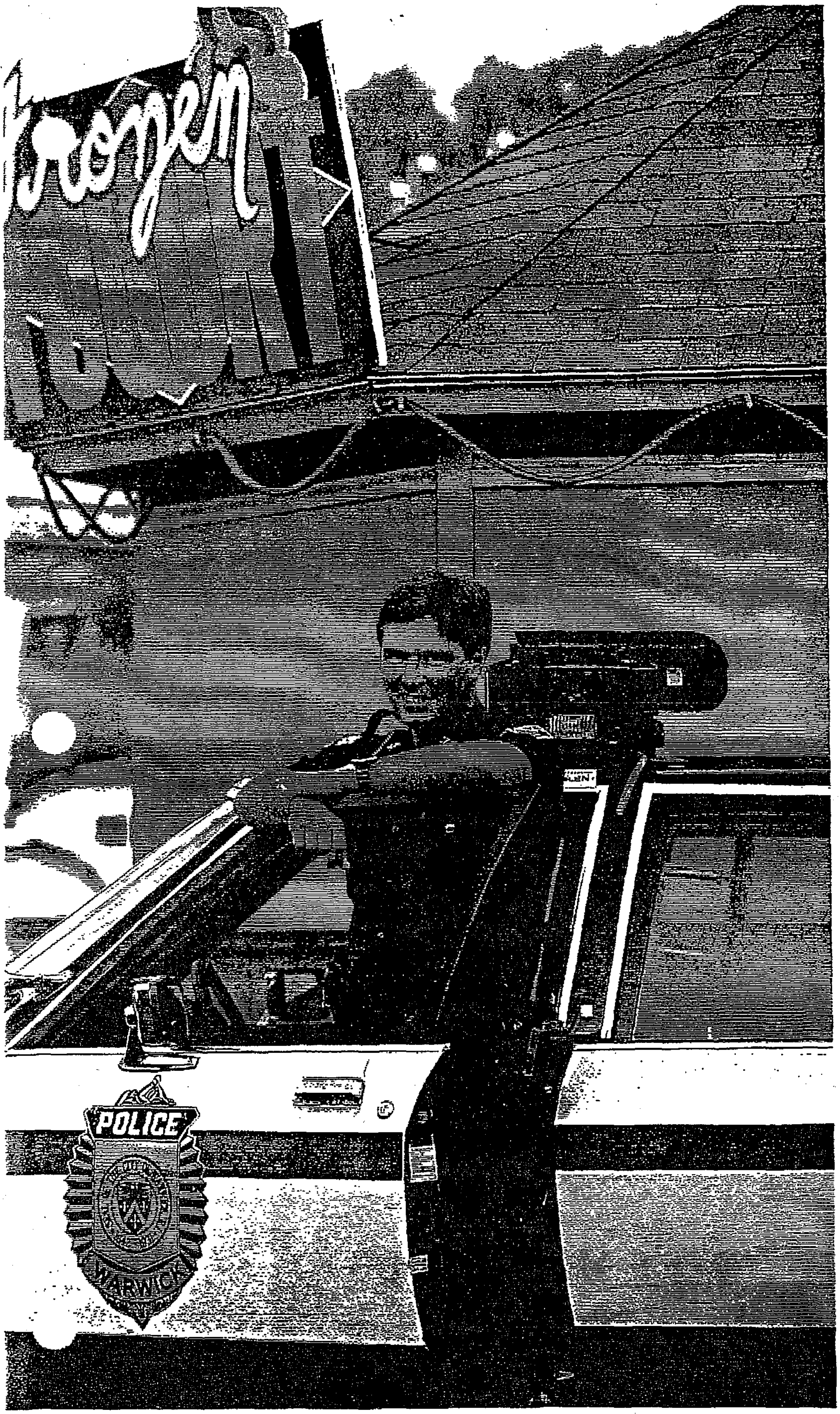
Fred Galacar, President, Galacar & Co.

Customer Satisfaction: Galacar & Co.

When Fred Galacar moved his business from San Francisco to Essex, Massachusetts, Pitney Bowes' coast-to-coast sales and service network made certain that Fred's critical mailing operation never missed a beat. Because Fred relies on mail for a large percentage of his documentary fabrics and wall coverings business, any loss of mail operations means a loss of business. When he arrived in his native New England, he called Pitney Bowes, and his Eagle™ Professional Mailing System was up and running immediately. As he describes it, "It was nice to know that my service could continue—all I had to do was pick up the phone and Pitney Bowes took care of the rest." For Fred Galacar, it was business as usual—from coast to coast.

000403


POLICE



Officer David Perri, Warwick Police Department, Warwick, RI

Customer Satisfaction:

Warwick Police Department

When the Warwick, Rhode Island Police Department wanted their officers spending more time out on the beat and less time at their desks, they turned to Dictaphone, a Pitney Bowes company. With the installation of Dictaphone's Digital Express™ System at Warwick Police headquarters, police officers out on patrol no longer have to return to headquarters to sit at their desks and write reports. Instead, they pick up the phone, access the system, and dictate their reports, which are immediately available for transcription. In Warwick, the 73-percent reduction in report-preparation time can now be devoted to patrolling this coastline Rhode Island community. When professionals such as the Warwick police, or the many physicians in hospitals using the Digital Express System, are freed of clerical duties, the people they serve are the beneficiaries.

CUSTOMER SATISFACTION: CONOCO INC.

When Conoco replaced a nationwide network of 200 facsimile machines in early 1990, they called Pitney Bowes, the only facsimile systems supplier marketing solely through its own sales force in the United States. Once the decision was made, time was of the essence, so Pitney Bowes put together a nationwide team which installed 237 machines at Conoco locations from Alaska to Florida within 15 days. At each step in the two-week process, Pitney Bowes' staff worked with Conoco's staff to guarantee that all machines were up and running on time. Was Conoco satisfied with the service they received? By October 1990, Conoco had over 500 of Pitney Bowes' facsimile machines in operation. What better evidence of customer satisfaction?

Frances Coonrod, Assistant Communications Coordinator, Conoco Inc.

000406

Richard M. Krasno, President, Institute of International Education

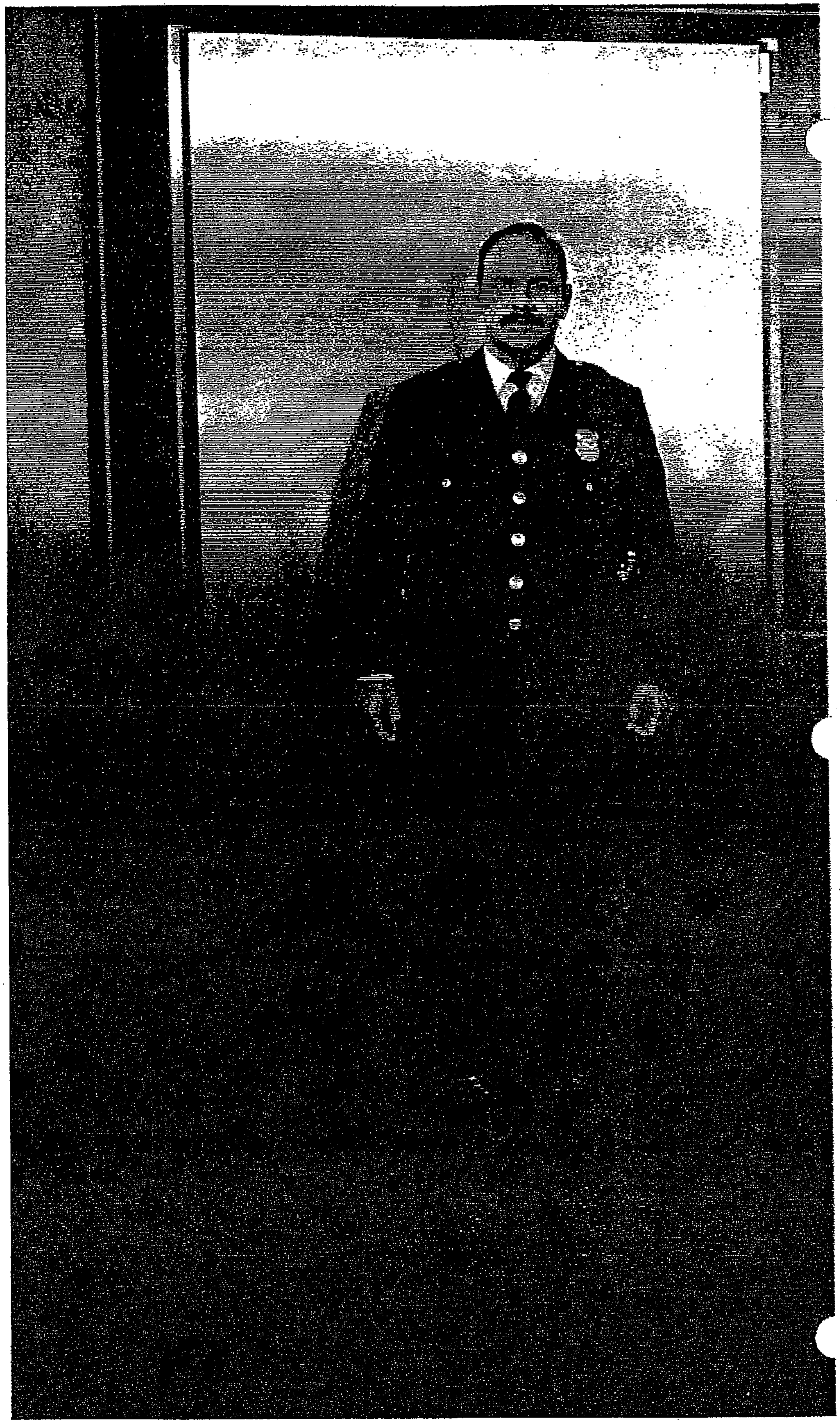
Customer Satisfaction:

Institute of International Education

Many times the best stories about customer satisfaction are not so remarkable. Rather, they are stories of stable, continuing relationships that develop over a period of time. Such is the relationship between the Institute of International Education (IIE) and Pitney Bowes. IIE, the largest U.S. higher educational exchange agency, builds international understanding through educational exchanges that reach nearly all the world's nations. IIE began using Pitney Bowes' copiers in 1986. Today their Pitney Bowes' representative still makes regular calls at IIE, across from the United Nations headquarters in New York City. When he visits, he sits down with the IIE staff and checks supplies to ensure adequate inventory answers questions about the equipment and, if necessary, even gives a quick refresher lesson to the operators. When you think about it, it's not so remarkable that relationships like this are the bedrock of Pitney Bowes' customer satisfaction.

Customer Satisfaction: Bank of Boston

American business is getting back to basics, concentrating on what it does best. So, when Bank of Boston decided to improve mail service for both their customers and their employees, they selected Pitney Bowes Management Services (PBMS) to manage their mailroom. High on their list of criteria was the need for an outside service with the flexibility to meet Bank needs within the Bank environment. According to Mary Lynn Kiley, Director, Employee Services, "We realized we could not provide the level of service that PBMS could provide, given their expertise in mailing and mailroom technology." PBMS efficiently manages the 10 million pieces of mail which flow through the mailroom annually, makes certain that all outgoing mailings take full advantage of postal discounts, and provides reprographics, messenger and equipment repair service. Bank of Boston knows banking. It seems they also know how to get the most efficient mail operation—Pitney Bowes Management Services.

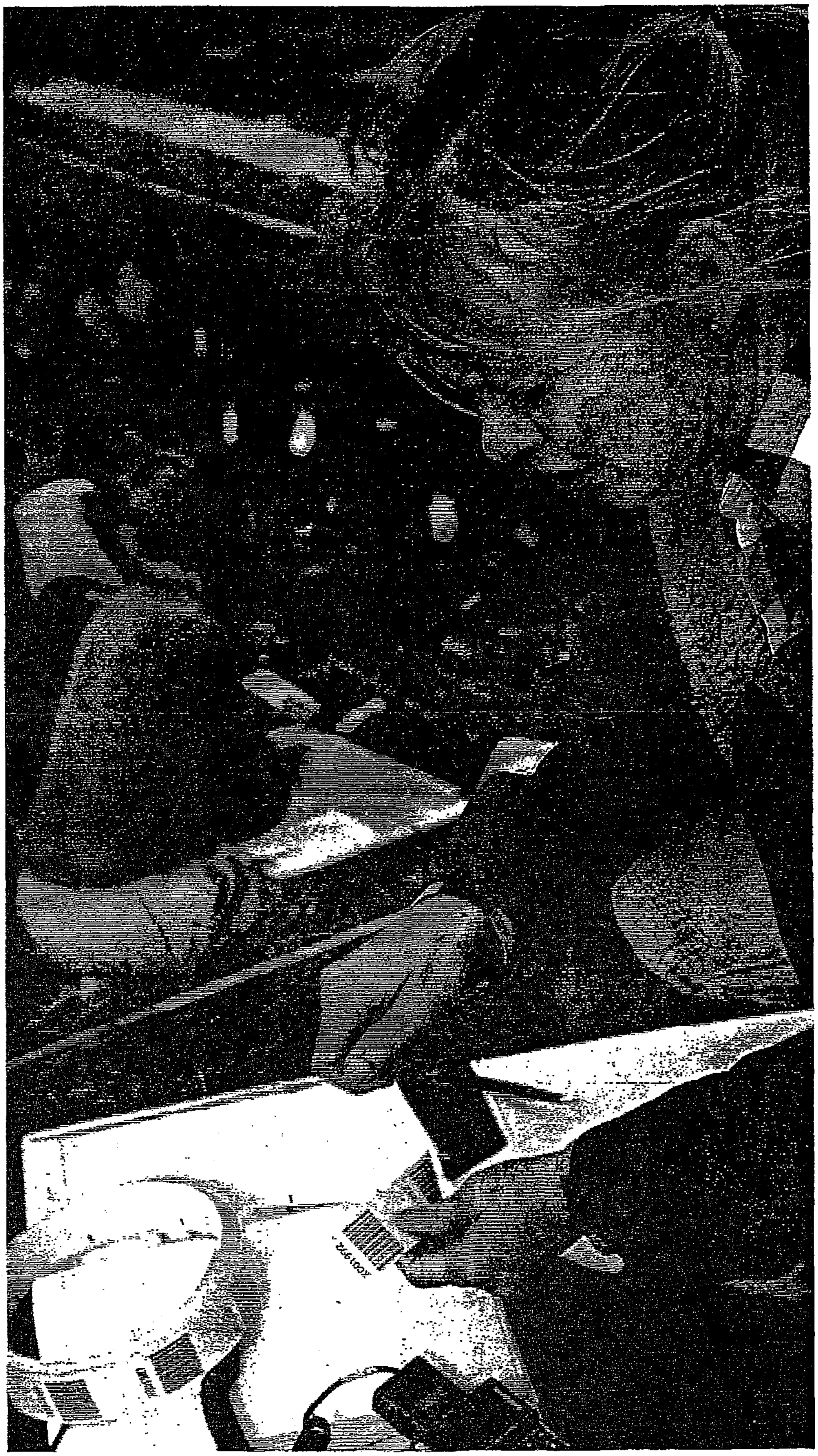


Mary Lynn Kiley, Director, Employee Services, Bank of Boston, and Robert A. Carr, Jr., Security Guard

000408

Customer Satisfaction: Birka

Monarch Marking Systems has built a reputation for meeting retailers' inventory and tracking needs with expert, flexible solutions. Monarch's flexibility came in especially handy when they received a request from Dr. Björn Ambrosiani, the archaeologist in charge of the privately sponsored excavation project at the Viking village of Birka, 30 kilometers west of Stockholm, Sweden. Birka is providing archaeological information unparalleled anywhere in Scandinavia, and its volume and significance demanded that a reliable tracking and inventory method be put in place. To solve this problem, Monarch and the archaeologists worked together to develop a system using Monarch all-weather bar code labels to track excavated articles from the site to the museum in Stockholm. Putting this system in place proved once again that no matter what the customer's needs or circumstances, Monarch Marking Systems can provide the right kind of tracking system.



Solveig Brunstedt, Antiquarian

Cathy Wilkens, adidas employee

CUSTOMER SATISFACTION: adidas® U.S.A.

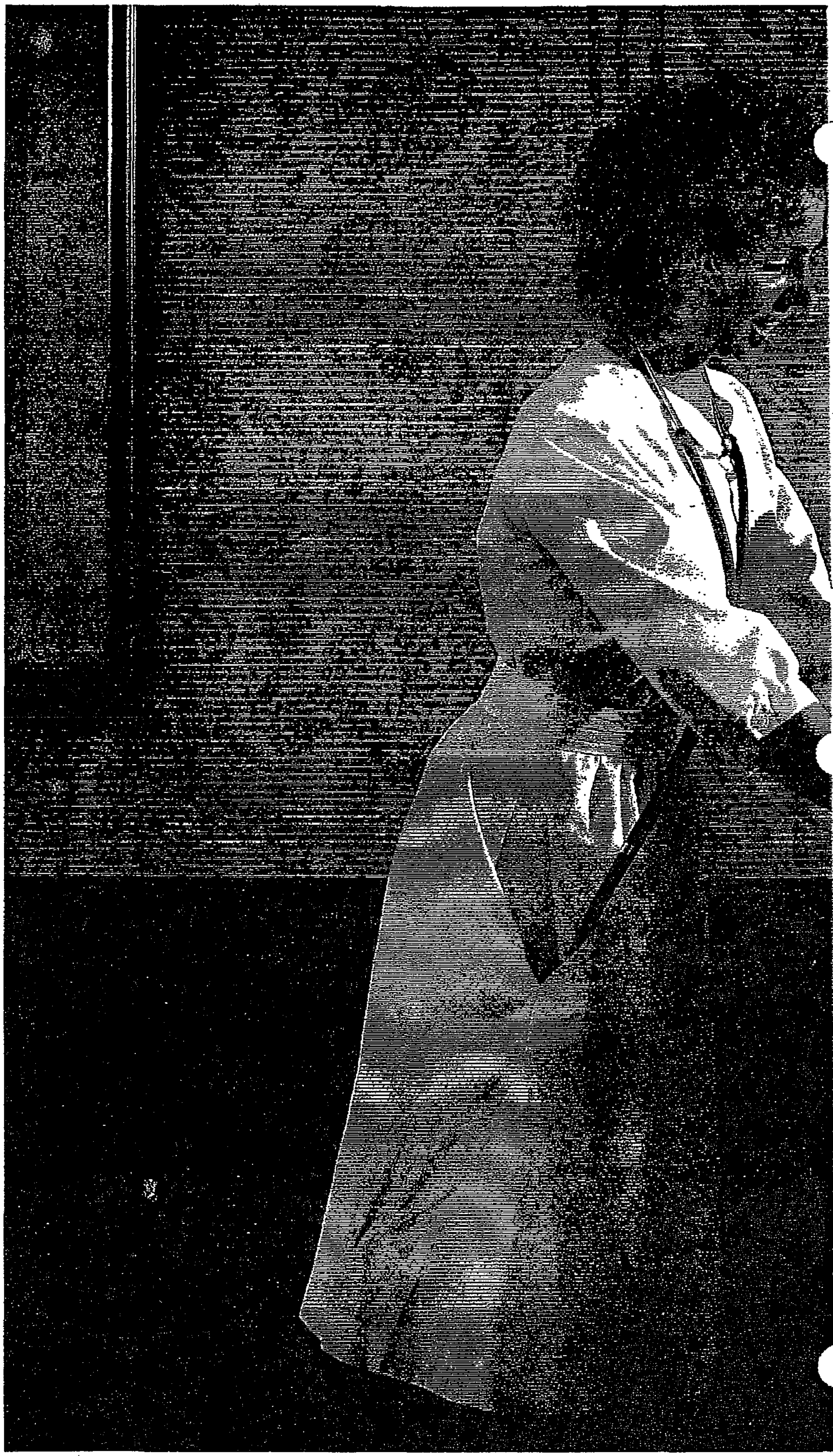
When adidas U.S.A. consolidated 17 warehouses into one, Pitney Bowes stepped up to help them. The consolidation of the warehouses from across the United States into one central distribution center in South Carolina required a complete reevaluation of shipping needs because of the variety of equipment at the different locations. Pitney Bowes worked with adidas to provide the kind of shipping equipment needed for a state-of-the-art operation and matched parcel volume and carrier needs to the equipment best suited to adidas' needs and budgets. In addition, Pitney Bowes' flexible leasing plan gives adidas several options to help ensure that their shipping equipment stays current with their shipping needs.

 000411

Customer Satisfaction:

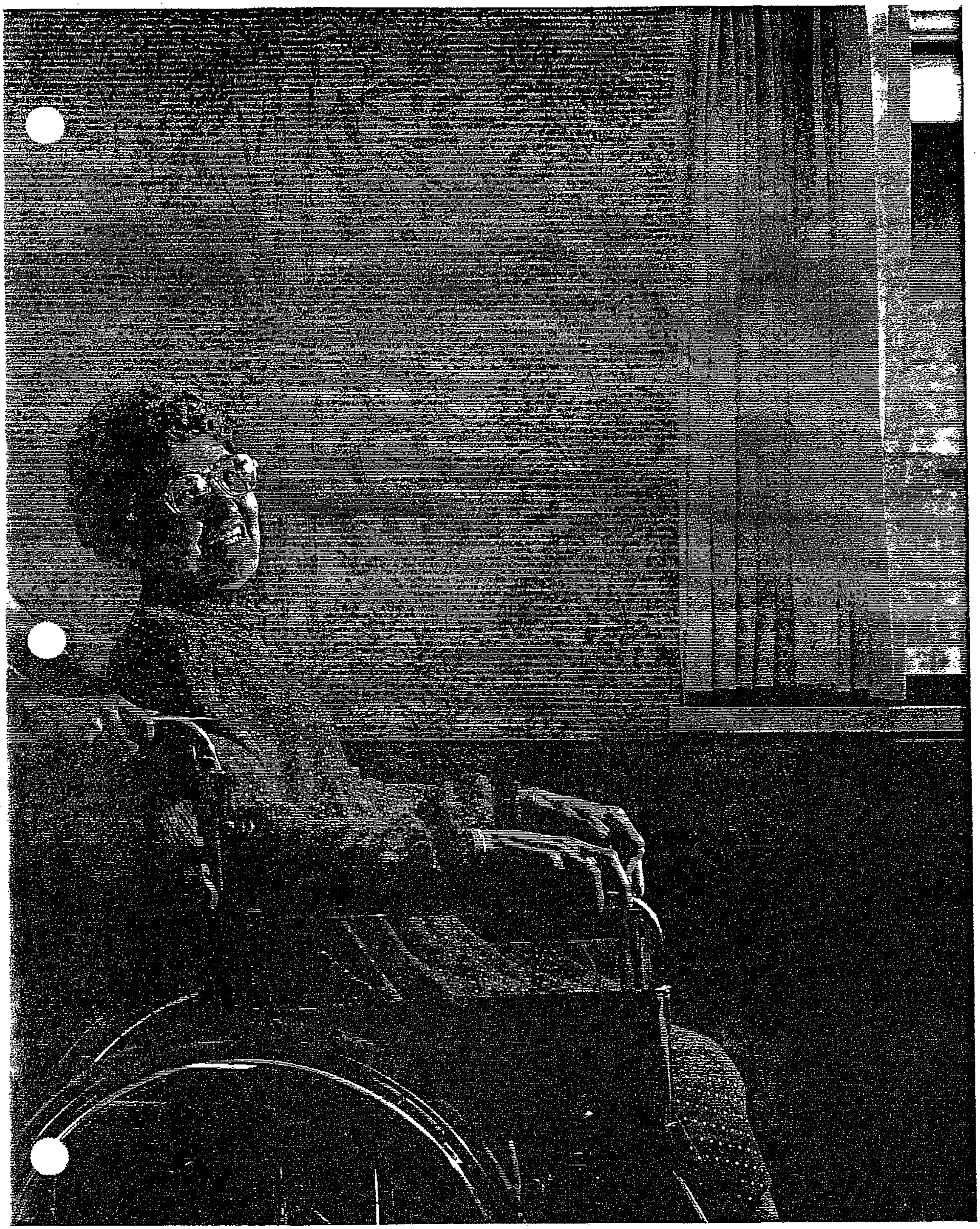
Unicare Health Facilities

When Unicare Health Facilities required a vendor who shared its commitment to consumer satisfaction, Pitney Bowes was the choice. Pitney Bowes Credit Corporation (PBCC) serves 149 Unicare facilities in 14 states with leased equipment for all paper-work-related needs—mailing, faxing, copying. Pitney Bowes consolidated all equipment under one lease, which fit perfectly with Unicare's strong, centralized purchasing system. However, to meet Unicare's special accounting needs, equipment is itemized by center for cost control, accurate expense reporting and to satisfy government reporting requirements. As Unicare grows, new equipment can be added to the existing lease. PBCC's commitment to Unicare is indicative of its commitment to the more than a quarter of a million Pitney Bowes' customers who have chosen Pitney Bowes' leasing.



Resident Alma Christensen with Chavonne Joyce, an employee of Unicare.

000412



BUSINESS EQUIPMENT

Pitney Bowes' business equipment businesses include Pitney Bowes Mailing Systems and Pitney Bowes Office Systems, as well as Pitney Bowes Shipping and Weighing Systems. Pitney Bowes Mailing Systems consists of the company's worldwide mailing business operations. Pitney Bowes Office Systems includes Pitney Bowes Facsimile Systems, Pitney Bowes Copier Systems in the United States and Dictaphone.

In 1990, business equipment revenue was $2.3 billion and accounted for 72 percent of corporate revenue.

Pitney Bowes Mailing Systems

Pitney Bowes Mailing Systems' mission is to remain the supplier of choice for mailing solutions worldwide. Pitney Bowes Mailing Systems, the company's largest business group, manufactures and markets postage meters and mailing systems and is responsible for selling shipping and weighing products and systems worldwide. In the United States in 1990, Pitney Bowes Mailing Systems experienced excellent growth.

In 1990, for financial reporting purposes, Pitney Bowes Mailing Systems' revenue, which includes facsimile and shipping systems revenue, was $1.7 billion and accounted for 53 percent of corporate revenue.

As the worldwide leader in mailing equipment and systems, Pitney Bowes Mailing Systems focuses on technology to develop products and systems which provide faster, more reliable delivery, greater productivity and lower postage costs. Key target markets for Pitney Bowes Mailing Systems are small business mailers, mailrooms and production mailers worldwide.

Direct sales and service forces of over 7,000 market a broad line of mailing, shipping and weighing systems nationwide. Pitney Bowes Mailing Systems' largest international markets are Canada and the U.K., with the Asia Pacific region offering good growth potential as mailing trends emerge there.

In 1990, Pitney Bowes Mailing Systems continued to strengthen its market leadership with a series of carefully planned actions on many fronts.

Internationally, Pitney Bowes Mailing Systems made good progress in improving performance in its German operation, took steps to improve its Australian operations, and formed a joint venture in Taiwan to better develop the growth opportunities there. Pitney Bowes Mailing Systems will be looking not only to this operation but to its other operations in the Asia Pacific region to further develop the potential of these markets.

Product introductions in 1990 included the very popular E200 Eagle™, the 3280 Letter-Perfect™ desktop folder/inserter in the U.S., PostEdge™ OCR bar coding system and Premier Postage By Phone® meter resetting system.

The popularity of the Eagle™ Professional Mailing System for small business mailers contributed to growth in 1990; it spurred the sales of mailing machines and systems meters over stand-alone meters. The 3280 Letter-Perfect, which was originally introduced in Europe in 1989 where it did exceptionally well, is targeted at offices where repetitive mailings have been historically inserted manually. PostEdge OCR bar coding systems, that scan the ZIP code and spray a postnet bar code on the mail piece, enable mailers to obtain the bar code postage discount from the USPS.

All new meters are being developed with Postage By Phone® meter resetting, one of Pitney Bowes' superior innovations which enables customers to avoid trips to the post office to obtain postage. This convenience is now offered in seven countries around the world with plans to introduce it in many more in the future. Premier Postage By Phone offers U.S. customers an 800 number, postal information hotline, unlimited resets and special usage reports.

These new mailing products and services are backed by the strongest guarantee in the marketplace, Pitney Bowes Customer Satisfaction Guarantee℠ which was unveiled in January 1990.

Pitney Bowes Mailing Systems' manufacturing operations continued to evaluate technology, redesigning product and production processes, retraining employees and establishing a flexible, self-directed workforce.

In 1990, Pitney Bowes Mailing Systems continued product development on its advanced products for the entire range of mailers. These products, to be introduced in the early nineties, respond to mailers' demands for greater productivity and improved efficiency and their need to take advantage of postal discounts.

As post offices worldwide move toward postal automation, Pitney Bowes Mailing Systems will be providing software, hardware and service solutions to mailers of all sizes around the globe.

Pitney Bowes Office Systems

Pitney Bowes Facsimile Systems

Pitney Bowes Facsimile Systems is a leading supplier of facsimile equipment to large- and medium-sized businesses worldwide. It will maintain this position by continuing to integrate product, sales, service and support to its competitive advantage.

Pitney Bowes Facsimile Systems' growth was somewhat slower overall in 1990 than in 1989 because of low-end market saturation and price declines.

000414

Capitalizing on its nationwide direct sales and service force in the United States, Pitney Bowes Facsimile Systems serves the multi-unit needs of large companies and other businesses with wide geographical coverage. Outside the U.S., the company markets through direct sales organizations and dealers.

In 1990, businesses increasingly demanded plain-paper units to meet their growing fax needs. This trend will increase steadily in the next few years and Pitney Bowes Facsimile Systems, with its full range of sophisticated plain-paper units, will be uniquely positioned to meet this market demand.

In 1990, product introductions included the Model 9250 laser plain-paper facsimile and the Model 9100 plain-paper facsimile with ink jet printing. With its sophisticated features and mid-range price tag, the 9100 offers an affordable solution for many customer applications.

Pitney Bowes Facsimile Systems' customers are supported with superior service which includes remote diagnostics and repair accessible in all direct sales areas through nationwide toll free numbers.

Pitney Bowes Facsimile Systems will remain in the forefront of the facsimile marketplace by aggressively leveraging its strong position with major customers, meeting customer demand for new applications and providing the highest level of sales and support service.

Pitney Bowes Copier Systems

In 1990, revenue from Pitney Bowes' total copier business was $289.5 million and accounted for 9 percent of total corporate revenue.

In the United States, Pitney Bowes Copier Systems' objective is to become a leading supplier of high quality copiers, including service and supplies, to the medium and high-end market segments. Its marketing strategy is directed at serving large corporations and multi-unit installations.

Having established a dedicated copier division in 1989, Pitney Bowes continued to make major changes in its copier business in 1990. The company believes that the way to achieve profitable growth in this business is by concentrating on new, higher-margin copiers, not remanufactured equipment. Pitney Bowes Copier Systems' strategy is to target higher-yielding metropolitan areas and national accounts. As a result of these changes, the decision was made to no longer remanufacture used copier equipment, and the company thus adjusted the estimated useful life of copiers from five years to three years. The company also established a reserve for the disposal of copiers which previously would have been remanufactured and for facility closing costs. These decisions have already had a favorable impact, based on fourth-quarter performance.

With the strength and scope of its nationwide sales and service force in the U.S., Pitney Bowes Copier Systems can deliver the equipment, service and supplies that will make it one of the most competitive in the marketplace.

Dictaphone

Dictaphone, the worldwide leader in voice processing systems, will maintain its market leadership through innovative product development and systems marketing expertise. The company manufactures and markets small work group and central dictation and voice processing systems, communications recorders, and portable and desktop dictation products.

In 1990, Dictaphone's revenue of $298.1 million accounted for 10 percent of corporate revenue. For the first time, dictation systems products accounted for the majority of U.S. revenue in 1990. The most successful of these products include Digital Express™ 7000 and Digital Express™ 3000.

Dictaphone participates not only in the traditional dictation market, estimated at approximately $300 million in the U.S. and $600 million worldwide, but is expanding into voice processing worldwide. Dictaphone operates in almost 70 countries and expects to enlarge its market position worldwide.

Over the past five years, Dictaphone has made a dramatic transition from analog to digital recording technology in its product lines. The high reliability and increased functionality available with digital technology is reflected in the strong market acceptance of the Digital Express product family.

Major product introductions during the year included three of the smallest digital voice processing products in the world: ExpressTalk™, StraightTalk™, and the 6600 Digital On-Line Recorder. Extremely powerful, these systems are compact enough to fit on a desktop.

The conversion to digital technology is making it possible to expand product functionality to include voice response and voice recognition. In 1990, Dictaphone introduced InfoTalk™, which can provide callers with information on topics they select without operator assistance. Also introduced was the VoiceEM system for medical reporting in emergency rooms. Both VoiceEM and VoiceRAD (introduced in 1988 and designed for radiologists) are important forerunner voice recognition products for Dictaphone.

In 1991, Dictaphone will continue to provide customers with systems solutions employing the latest advances in technologies.

000415

Pitney Bowes Logistics Systems and Business Services

Pitney Bowes Shipping and Weighing Systems

Pitney Bowes Shipping and Weighing Systems will achieve worldwide leadership in market share and profitability through the development, sourcing and marketing of quality solutions for selected logistics applications.

Pitney Bowes Shipping and Weighing Systems provides scales, carrier management or parcel shipping systems, and traffic management systems and software for the logistics market.

In 1990, Pitney Bowes Shipping and Weighing Systems became a part of Pitney Bowes Logistics Systems and Business Services, a move that recognizes the natural synergies between Pitney Bowes Shipping and Weighing Systems' and Monarch Marking Systems' capabilities in the logistics market.

Key markets for shipping and weighing products are manufacturers and distributors looking for overall transportation cost-management solutions. With over nine million manufacturers/wholesalers/retailers worldwide spending billions on transportation costs, there is great opportunity for automation and information integration of shipping and receiving operations. With accelerating customer sophistication in the use of technology to satisfy logistics application needs, these markets are experiencing continued pressure for improved productivity and cost management of logistics functions. Pitney Bowes Shipping and Weighing Systems is using its know-how and technology to respond to these trends.

Product introductions in 1990 included several phases of enhancements to the STAR™ family of manifest products to support the expanding application needs of carriers and customers. The introduction of and the enhancements to the E900 International Shipping System proved to be successful in developing markets in Canada, the United Kingdom, Japan and Germany.

With the 1990 acquisition of VOCAM, which designs and manufactures logistics management software, Pitney Bowes significantly expanded its capabilities in a variety of traffic management applications.

BUSINESS SUPPLIES AND SERVICES

For financial reporting purposes, Monarch Marking Systems and Pitney Bowes Management Services comprise the business supplies and services segment of the company. Monarch Marking Systems provides merchandise price marking, identification and tracking systems for retailers and logistics support systems through bar code tracking for all types of businesses. Pitney Bowes Management Services furnishes on-site facilities management of mailrooms, reprographics and related functions.

In 1990, business supplies and services revenues of $364.8 million accounted for 11 percent of total corporate revenue.

Monarch Marking Systems

The leading supplier of merchandise price marking and identification systems for retailers, Monarch Marking Systems' bar code, printing and tracking technologies are focused in two segments: merchandise identification, tracking and price marking systems and supplies for retailers; and item tracking systems for a variety of logistics applications for businesses of all types.

Monarch Marking Systems' overall performance in 1990 was affected by the unfavorable trends experienced by the retail industry in the United States and Canada. Monarch Marking Systems' non-retail sector experienced solid growth, particularly in the emerging area of logistics systems.

Monarch Marking Systems continued its strategy of developing enhancements for existing products with new products introduced in three key areas: data collection, thermal printing and handheld systems. These products allow Monarch Marking Systems to offer more complete systems, permitting the company to become a worldwide leader in the growing logistics market, as well as to benefit from the expanding use of thermal tags and labels.

In early 1990, Monarch Marking Systems introduced a PC-based data collection system, which addresses the logistics applications of shipping, receiving and product identification. Also, three new thermal transfer printers were targeted to specific vendor applications. Work progressed with the U.S. Postal Service, consistent with its objective of having all U.S. mail bar coded by 1995. In 1990, Monarch Marking Systems developed and introduced PALS, the comprehensive bar code labeling system currently in use in five USPS sites around the country. PALS, which has the flexibility to handle a wide variety of postal service needs, will be available to the commercial mailing community in early 1991.

In 1990, Monarch Marking Systems also designed and manufactured products to meet requirements of specific customers.

Monarch Marking Systems' long-term objective of increasing global retail coverage resulted in expansion into India, Hungary and what was previously East Germany. In 1990, the company also had first time sales in Yugoslavia and Czechoslovakia.

Monarch Marking Systems will continue to focus on strategies that expand its markets worldwide, applying its item tracking know-how to both the retail and the broader emerging non-retail marketplaces. Monarch Marking Systems is working with Pitney Bowes Shipping and Weighing Systems to develop joint product

000416

offerings for logistics and shipping needs worldwide.

Monarch Marking Systems will meet customer needs with increasingly sophisticated systems solutions, its aggressive, customer-driven product development strategy and a commitment to customer satisfaction.

Pitney Bowes Management Services

Pitney Bowes Management Services (PBMS) provides customized contract management of critical business support functions relating to the preparation and distribution of correspondence, documents and parcels, as well as other support services. In 1990, PBMS expanded its operations and is represented in more than 20 cities nationwide. With increasing numbers of businesses seeking to outsource critical business support services, the potential market for PBMS is growing.

For PBMS, 1990 was a year of transition and of the successful integration of existing operations with those acquired in the purchase of Pandick Technologies.

PBMS' strategy is to use technology to create competitive differentiation, enhancing products and services to bring customers operational efficiencies. Its mailroom services offer the latest high volume automated mail technologies developed by Pitney Bowes Mailing Systems. Consistent with the long-term strategy of offering high value services with mailroom management as the lead, PBMS is actively pursuing new services, many of which use the technology of other Pitney Bowes' divisions.

In 1990, PBMS introduced the Site Support System, a proprietary tool developed specifically for PBMS-managed facilities. Site Support increases productivity of customer operations which previously used manual processing techniques. It tracks and analyzes mail trends and volumes, provides on-line verification of employee locations, and a method for managing and reporting time-sensitive mail delivery. With certain clients, services also include those related to interoffice mail such as deployment of airline tickets, stationery and supplies, and audio visual equipment.

Pitney Bowes' unmatched mailroom knowledge, expertise and technology will facilitate PBMS' continuing expansion into large- and medium-sized industrial and service companies in the 1990s.

FINANCIAL SERVICES

Pitney Bowes Financial Services (PBFS) provides worldwide product financing to support the global expansion of Pitney Bowes. PBFS also offers financing and leasing to strong credit-worthy customers in the countries in which it operates.

In 1990, PBFS' revenue of $547.8 million accounted for 17 percent of total corporate revenue. At year-end, PBFS' gross finance assets were $5 billion, and included more than 435,000 accounts. PBFS' international marketing effort is growing. In 1990, over 25 percent of PBFS' revenue came from non-U.S. operating units. While the domestic leasing market was estimated at $140 billion in 1990, the worldwide market was approximately $210 billion.

As a part of PBFS' international expansion, operations in Australia and France were further developed in 1990. Also during the year, in anticipation of opportunities in a reunified Germany, Adrema Leasing Corporation established a presence in what was formerly East Germany.

PBFS will continue to provide support for leasable Pitney Bowes' products around the world. In 1990, the lease-to-sale ratio for Pitney Bowes' mailing and copier equipment in the U.S. was 65 percent. In Europe and Canada, the lease-to-sale ratio in mailing products was more than 70 percent.

To drive this strategy of increasing the lease-to-sale ratio, several programs were initiated to help expand the number of Pitney Bowes' products placed on lease. Express™ Lease, with its simple documentation and rapid turnaround, makes leasing an attractive option for users of Pitney Bowes' equipment such as small scales and the Eagle™ Professional Mailing System. Systems sales incentives and special programs for acquiring specific combinations of Pitney Bowes' equipment have also significantly contributed to achieving this goal.

Colonial Pacific Leasing Corporation, which provides small- and middle-ticket leasing services to U.S. businesses through independent lease brokers, increased market penetration in the eastern part of the country in line with its declared strategic intent. In the U.K., Pitney Bowes Finance PLC leased record levels of Pitney Bowes' equipment and continued its success in financing other products for its customers.

In 1990, Pitney Bowes of Canada Leasing Division began offering wholesale and retail tractor/trailer financing programs. Adrema Leasing in Germany expanded its automobile leasing programs, and in the U.S., the Vendor Investment Program continues to expand its programs with third-party equipment vendors.

As an integral part of its customer satisfaction efforts, PBFS declared 1990 to be a year of intensified customer focus, making a series of special efforts in all areas to be sure that both new and long-term customers are pleased with the level of service. This special focus is already paying off in customer satisfaction and repeat business.

000417

Management's Discussion and Analysis

Segments

Pitney Bowes manufactures and markets products, and provides services in two industry segments: business equipment and business supplies and services; and provides financing in a third industry segment: financial services.

Business equipment includes: postage meters and mailing, shipping and facsimile systems, copiers and copier supplies, and voice processing systems which include dictating systems, automatic telephone answering systems and voice communications recorders.

Business supplies and services includes: equipment and supplies used to encode and track price, content, item identification and other merchandise information; mailroom, reprographics and related facilities management services; and retail security systems.

The financial services segment includes the worldwide financing operations of the company. This segment provides lease financing for the company's products as well as other financial services for the commercial and industrial markets.

Revenue and operating profit by business segment and geographic area for the years 1988 to 1990 were as follows:

	Revenue		
	1990	1989	1988
(in millions)			
Industry segments:			
Business equipment:			
Mailing systems	$1,695.4	$1,525.1	$1,415.2
Copying systems	289.5	302.2	273.3
Voice processing systems	298.1	291.8	267.5
	2,283.0	2,119.1	1,956.0
Business supplies and services	364.8	301.2	253.8
Financial services	547.8	455.4	365.9
Total	$3,195.6	$2,875.7	$2,575.7
Geographic areas:			
United States	$2,448.3	$2,211.2	$2,017.9
Europe	418.5	345.1	321.9
Canada and other	328.8	319.4	235.9
Total	$3,195.6	$2,875.7	$2,575.7

	Operating profit*		
	1990	1989	1988
(in millions)			
Industry segments:			
Business equipment	$ 231.0	$ 181.3	$ 268.3
Business supplies and services	34.3	43.7	43.8
Financial services	160.3	130.7	125.5
Total	$ 425.6	$ 355.7	$ 437.6
Geographic areas:			
United States	$ 333.7	$ 262.9	$ 342.1
Europe	47.8	43.4	50.8
Canada and other	46.8	51.1	45.5
Total	$ 428.3	$ 357.4	$ 438.4

*In 1990 and 1989, operating profit includes nonrecurring charges primarily in the business equipment segment in the United States.

Identifiable assets by business segment and geographic area for the years 1988 to 1990 were as follows:

	Identifiable assets		
	1990	1989	1988
(in millions)			
Industry segments:			
Business equipment	$1,743.1	$1,768.1	$1,581.1
Business supplies and services	243.9	248.4	120.1
Financial services	3,793.8	3,334.7	2,847.7
Total	$5,780.8	$5,351.2	$4,548.9
Geographic areas:			
United States	$4,553.5	$4,308.0	$3,645.4
Europe	713.3	502.6	429.6
Canada and other	582.6	586.0	513.7
Total	$5,849.4	$5,396.6	$4,588.7

Significant Transactions

In both 1990 and 1989, Pitney Bowes made significant organizational and strategic decisions which substantially impacted the results of operations and future outlook for the company.

To enhance global competitiveness and opportunities to achieve strong revenue and profit growth in the 1990s, a series of transition initiatives were undertaken by the company at the end of 1989. These initiatives were designed to increase the efficiency and productivity of the company's worldwide manufacturing and distribution systems, and provide employees with the advanced technological skills required for the future. The company's transition program included a worldwide workforce reduction, a change of employee skill mix, the establishment of a dedicated copier division in the United States and the consolidation of distribution centers, as well as the streamlining of administrative systems and equipment service organizations. The cost of these initiatives amounted to $110 million and was reflected as a one-time, pretax charge to earnings in the fourth quarter of 1989. Benefits from this program were realized in 1990 and are expected to continue enhancing future operations.

In September 1990, the company changed its copier marketing strategy and announced plans to discontinue the remanufacture of used copier equipment. The copier organization now concentrates on new, higher-margin copiers consistent with its marketing strategy directed at serving large corporations and multi-unit installations. As a result of this change in strategy and the resultant discontinuance of the equipment remanufacturing process, the company adjusted the estimated useful life of copiers from five years to three years and established a reserve for the disposal of copiers which previously would have been remanufactured, employee severance payments and facility closing costs. The aggregate one-time, pretax charge against 1990 third-quarter earnings was $86.5 million. As a result of these actions, copier profitability in the fourth quarter of 1990 improved; and it is anticipated that this trend will continue into the future.

The company has also committed to divest itself of the Wheeler Group Inc. ("Wheeler"), a direct mail marketer of office supplies. The sale of Wheeler is expected to result in a gain at closing. Wheeler has been classified in the Consolidated Statement of Income as a discontinued operation; revenue and income from continuing operations exclude the results of Wheeler for all periods presented.

Through the October 1989 acquisition of Pandick Technologies, Inc. ("Pandick"), the company dramatically expanded its presence in the facilities management marketplace and increased its commitment to this business. Pandick, a nationwide provider of on-site contract services for mailroom management and reprographics, was integrated with the company's mailroom management organization during 1990.

The company adopted, retroactively to January 1, 1989, the liability method of accounting for income taxes prescribed by Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." Upon adoption of this standard, net income for the first quarter and full year of 1989 was increased by $66 million, or 83 cents per share, for the cumulative effect of the accounting change.

Results of Continuing Operations

Worldwide revenue increased 11 percent in 1990 and 12 percent in 1989. Income from continuing operations before income taxes increased 26 percent in 1990, 15 percent after tax, compared to a substantial decrease in 1989 reflecting the effects of the nonrecurring charges referred to above. Excluding the effects of the one-time charges for the 1990 copier strategy changes and the 1989 transition initiatives, pretax earnings increased 12 percent in 1990 and five percent in 1989 despite the impacts of the 1990 worldwide economic slowdown.

Sales revenue increased ten percent in 1990 compared with a seven percent increase in 1989. The 1990 increase resulted primarily from the late 1989 Pandick acquisition and strong mailing and shipping product sales. In addition, moderate price increases and favorable foreign exchange effects had positive sales impacts. Sales in 1989 benefitted from favorable shipping, facsimile, copier, digital voice processing and industrial marking systems equipment revenue. While the 1989 increase also benefitted from the Pandick and Australian acquisitions, 1988 scale chart and PROM (memory chip) sales relating to a general U.S. postal rate increase offset these additions to a degree.

Revenue from rentals and financing, substantially all of which is in the business equipment and financial services segments, increased 13 percent in 1990 and 17 percent in 1989. Rental revenue increased due to higher numbers of postage meters, especially higher yielding Postage By Phone® and electronic meters, facsimile equipment and copier products on rental. Financing revenue grew in 1990 and 1989 as a result of increases in the company's leasing portfolios, the sale of certain finance assets and a higher 1989 interest rate environment.

Support services revenue, virtually all of which is derived from the business equipment segment, increased ten percent in 1990 and 15 percent in 1989 due to increased numbers of service agreements in place and price increases.

The cost of sales to sales revenue ratio increased to 51.3 percent in 1990 from 51.1 percent in 1989 and 48.7 percent in 1988 primarily due to the increasing significance of the company's mailroom management business which includes most of its expenses in cost of sales. Sales margins in 1990 were favorably affected by reduced voice processing product costs, LIFO inventory reductions and the sale of the company's low-margin shelf label business at the beginning of the year. The 1990 ratio also reflects unfavorable copier and Australian business equipment cost of sales rates and reduced margins on marking systems products due to the overall weakness in the retail marketplace. The higher ratio in 1989 was due, in part, to 1988's favorable margins on scale chart and PROM revenue related to the April 1988 general U.S. postal rate increase.

The cost of rentals and financing to rentals and financing revenue ratio was 27.7 percent in 1990, 25.6 percent in 1989 and 25.3 percent in 1988. The ratio increases reflect the margin impact of financial services asset sales and 1990 operating lease programs, which are expected to continue in the future. Higher costs, principally depreciation, associated with increased levels of facsimile and higher-cost electronic postage meter rental assets in service also affected these ratios. These factors were partly offset by growth associated with the company's higher-margin financial services operations and improved 1990 fourth-quarter copier rental margins.

Selling, service and administrative expenses as a percentage of revenue were 40.7 percent in 1990, 41.9 percent in 1989 and 43.5 percent in 1988. The continued improvement in this ratio reflects the benefits of transition initiatives, the fourth-quarter 1990 impact of the new copier strategy, implementation of cost-effective marketing programs and continuing cost containment programs throughout the company. Although improving throughout the third and fourth quarters, the expense ratio of the company's German business equipment operation was unfavorable for fiscal 1990. These ratio improvements also reflect corporate spending restraint, reduced levels of incentive compensation and, in 1989, lower profit sharing costs.

Research and development expenses increased 25 percent in 1990 and ten percent in 1989. These increases reflect continued investment in advanced product development focusing on electronic technology and software development as it applies to the company's businesses and markets. Increased investment in research and development is expected to enhance Pitney Bowes' ongoing product development and expedite product introductions. In 1989, the company also increased engineering resources committed to the continued enhancement of active products.

Net interest expense was $253 million in 1990, an increase of 11 percent, compared to $229 million in 1989 which was up 42 percent from 1988. The increases for both periods were primarily due to higher average borrowing levels principally related to the financial services operations.

000419

In 1990, the company substantially slowed its growth in debt level and interest cost increases. Interest expense was favorably impacted by lower 1990 interest rates as compared to increased interest rates during 1989, and higher capitalized interest in both periods.

Industry segment operating profits reflect the factors discussed above and in the Financial Services discussion below. Excluding the effects of nonrecurring charges, profit of the business equipment segment increased 11 percent in 1990 and seven percent in 1989 while revenue increased eight percent in both periods. Efficiencies achieved through transition initiatives and the new copier strategy have and should continue to favorably impact this segment. Excluding 1989 transition costs, business supplies and services segment operating profit declined 23 percent in 1990 and increased one percent in 1989 while revenue increased 21 percent and 19 percent, respectively. These changes reflect the company's investment and integration costs associated with the acquisition and expansion programs for its mailroom management and reprographics business and the early 1990 divestiture of Data Documents Systems, Inc. ("DDS"), a low-margin shelf label business. Additionally, 1990 and 1988 were adversely affected by softness in retail markets which slowed earnings of marking systems products in both years. Performance in the financial services segment benefitted from continued strong revenue growth which was over 20 percent in both 1990 and 1989. Operating profit increased 23 percent in 1990 compared to only four percent in 1989. Strong growth of the company's higher-margin internal portfolio, lower 1990 interest rates and 1989 rate increases were the key reasons for these changes.

The effective tax rate was 36.9 percent in 1990, 31.0 percent in 1989 and 34.7 percent in 1988. The 1990 rate increase reflected reduced levels of investment tax credits and losses in subsidiaries outside the U.S., primarily in Australia and Germany, which provided minimal tax benefit. In both 1990 and 1989, the effective tax rate was favorably affected by the tax benefit of nonrecurring charges incurred by a unit subject to higher state tax rates. The improved 1989 rate also reflected the impact of a substantial overall reduction in tax expense with investment tax credit levels remaining constant as well as the inclusion of certain favorable prior-year tax adjustments.

Although not affecting income, deferred translation gains in 1990 and 1988 amounted to $33 million and $4 million, respectively; 1989 losses were $12 million. Significant factors causing the gains recorded in 1990 and 1988 were the strengthening of the British pound, Canadian dollar and Swiss franc. In 1989, losses resulted from the weakening of the British pound.

In December 1990, Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" ("FAS 106"), was issued addressing health care and other welfare benefits provided to retirees. FAS 106 requires a change from the cash basis of accounting to the accrual basis of accounting for these benefits and is effective for fiscal years beginning after December 15, 1992. The accrual basis requires measurement of the company's obligation and accrual of that obligation over the period in which the employee provides service to the company. FAS 106 allows for immediate recognition of the accumulated postretirement benefit obligation or amortization of this obligation over 20 years. Upon adoption of this standard, the company anticipates a significant increase in its annual postretirement benefit expense. If the company decides to recognize its postretirement benefit obligation immediately, it anticipates recording a significant one-time charge to income for the cumulative effect on prior years of not accruing such benefits. The company is currently studying all options available to it as well as potential future plan changes, and accordingly, the amount of the obligation and impact on the company's financial statements is not presently estimable.

Financial Services

The financial services operations provide lease financing for Pitney Bowes products as well as for commercial and industrial markets in the U.S., Canada, the U.K., Germany, France and Australia. Condensed financial information for these operations is disclosed in Note 14 to the consolidated financial statements. These operations financed 31 percent of consolidated sales revenue in 1990, 28 percent in 1989 and 31 percent in 1988.

Total financial services revenue amounted to $548 million in 1990, up from $455 million in 1989. Total financial services assets increased to $3.8 billion at year-end 1990, up 14 percent from $3.3 billion in 1989 which was up 17 percent from $2.9 billion in 1988. To fund the increase in lease receivables, borrowings increased to $2.7 billion in 1990 from $2.4 billion in 1989 and $2.0 billion in 1988. The decline in debt growth reflects the sale of approximately $310 million and $200 million of finance assets during 1990 and 1989, respectively. In addition to $175 million of borrowings available under shelf registration statements, the financial services operations had approximately $1.1 billion of unused lines of credit outstanding at year-end 1990 largely supporting commercial paper borrowings.

Discontinued Operations

In addition to the planned Wheeler disposition discussed above (see Significant Transactions), the company's former subsidiary, Data Documents, Inc. ("DDI"), was classified as a discontinued operation. During 1988, the company sold all of the capital stock of DDI for approximately $93 million in cash. The sale resulted in a gain of approximately $6 million (net of $6 million of income taxes). The results of DDI and Wheeler have been excluded from revenue and income from continuing operations. Condensed financial information for these companies is disclosed in Note 10 to the consolidated financial statements.

000420

Liquidity and Capital Resources

Working capital and the current ratio at the end of 1990 declined from year-end 1989. The current ratio at December 31, 1990 was .62 to 1 compared to .75 to 1 at December 31, 1989. These declines reflect the 1990 growth of the financial services lease portfolio and retirement of $75 million of 11.125% notes due in 1992 partly offset by the sale of approximately $310 million in net finance assets referenced above. These factors added $121 million of net current finance assets but $547 million of short-term debt reflecting the funding of long-term finance receivables with short-term borrowings. It has been financial services' practice to use a balanced mix of debt maturities, variable- and fixed-rate debt and interest rate swaps to control its sensitivity to interest rate volatility.

The ratio of short- and long-term debt to the total of such debt and stockholders' equity was 65.4 percent at December 31, 1990 as compared to 66.3 percent at December 31, 1989. Continued emphasis of fee-based financial services transactions and consideration of the sale of certain financing transactions as well as reduced growth in large-ticket, longer-term external portfolio placements are expected to continue to slow growth in finance assets and debt levels. Additionally, it is anticipated that proceeds from the sale of Wheeler will be used to further reduce short-term borrowing levels.

In addition to the carry-over of $150 million from a previous shelf registration, the company filed a $250 million shelf registration with the Securities and Exchange Commission in March 1990. As part of these shelf registrations, the company established a medium-term note facility permitting issuance of up to $100 million in debt securities. In 1990, the company issued $44 million in medium-term notes under this program at interest rates ranging from 8.16 percent to 8.72 percent with maturities between two and four years; the net proceeds, approximately $44 million, were used to repay corporate short-term commercial paper borrowings.

On February 12, 1991, Pitney Bowes Credit Corporation ("PBCC") issued $150 million principal amount of 8.80% notes due in 2003; this leaves PBCC with $175 million remaining on shelf registrations filed with the Securities and Exchange Commission. As part of these shelf registrations, PBCC has a medium-term note facility permitting issuance of up to $150 million in debt securities having maturities ranging from nine months to 30 years.

At year-end 1990, the company had unused lines of credit and revolving credit facilities totaling $1.4 billion in the U.S. and $118 million outside the U.S. largely supporting commercial paper borrowings. Amounts available under credit agreements, shelf registrations and medium-term note programs in addition to cash generated internally are expected to be sufficient to provide for financing needs for the next year. Additional financing will be arranged as deemed necessary. Information with respect to debt maturities is disclosed in Note 5 to the consolidated financial statements.

Capital Investment

Net additions to property, plant and equipment in 1990 were $133 million compared with $106 million in 1989. The additions include normal plant and manufacturing equipment as well as a new corporate engineering and technology center in Shelton, Connecticut, completed in 1990. Net additions to rental equipment in 1990, excluding the effect of the copier changes, were $194 million compared with $190 million in 1989. These additions represent the production of postage meters and the purchase of facsimile and copier equipment for both new placements and upgrade programs.

As previously reported, financial services has made senior secured loans and commitments in connection with acquisition, leveraged buyout and recapitalization financings. At December 31, 1990, the company had a total of $79 million of such senior secured loans and commitments outstanding. In connection with such outstanding loans and commitments, the company currently has $31 million of outstanding senior secured loans with three companies that have filed under Chapter 11 of the Federal Bankruptcy Code. The company expects full recovery of its investments due to the senior secured nature of the loans. The company has not participated in unsecured or subordinated debt financing of highly leveraged transactions.

At December 31, 1990, commitments for the acquisition of property, plant and equipment reflected plant and manufacturing equipment improvements as well as rental equipment for new and upgrade programs.

Effects of Inflation

Inflation rates, even though moderate in recent years, continue to have an effect on worldwide economies and the way companies operate. In addition to increasing labor costs and operating expenses, the company is also impacted by the higher costs associated with replacement of fixed assets and especially rental equipment assets. In the face of increasing costs, 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. The efficiencies resulting from the transition initiatives, new copier strategy and continuing cost containment programs discussed above have helped combat the negative impacts of increasing inflation rates.

Dividend Policy

It is the policy of the Pitney Bowes board of directors 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. Pitney Bowes has paid a dividend each year since 1934.

000421

Summary of Selected Financial Data

Pitney Bowes Inc.

(Dollars in thousands, except per share data)

Years ended December 31	1990	1989	1988	1987	1986
Total revenue	$3,195,550	$2,875,685	$2,575,652	$2,269,818	$1,988,710
Costs and expenses	2,781,406	2,504,628	2,222,694	1,959,020	1,720,367
Nonrecurring charges	86,500	110,000	–	–	–
Income from continuing operations before income taxes	327,644	261,057	352,958	310,798	268,343
Provision for income taxes	120,995	80,947	122,560	118,383	112,103
Income from continuing operations	206,649	180,110	230,398	192,415	156,240
Discontinued operations	6,646	6,609	12,960	7,033	11,684
Cumulative effect of a change in accounting for income taxes	–	66,048	–	–	–
Net income	$ 213,295	$ 252,767	$ 243,358	$ 199,448	$ 167,924
Income per common and common equivalent share:					
Continuing operations	$2.60	$2.27	$2.92	$2.44	$1.97
Discontinued operations	.08	.09	.16	.09	.15
Cumulative effect of a change in accounting for income taxes	–	.83	–	–	–
Net income	$2.68	$3.19	$3.08	$2.53	$2.12
Total dividends on common, preference and preferred stock	$94,819	$81,718	$72,055	$59,176	$51,487
Dividends per share of common stock	$1.20	$1.04	$.92	$.76	$.66
Average common and common equivalent shares outstanding	79,624,880	79,323,046	78,999,668	78,928,829	79,224,699
Balance sheet at December 31					
Total assets	$6,060,545	$5,611,115	$4,788,362	$4,018,311	$3,253,734
Long-term debt	$1,099,396	$1,369,338	$1,059,157	$850,656	$556,918
Capital lease obligations	$36,560	$42,002	$42,637	$47,219	$47,200
Stockholders' equity	$1,589,414	$1,428,327	$1,269,177	$1,045,316	$912,509
Book value per common share	$20.13	$18.15	$16.16	$13.56	$11.69
Ratios					
Profit margin-continuing operations:					
Pretax earnings	10.3%	9.1%	13.7%	13.7%	13.5%
After tax earnings	6.5%	6.3%	8.9%	8.5%	7.9%
Return on stockholders' equity	13.4%	17.7%	19.2%	19.1%	18.4%
Debt to total capital	65.4%	66.3%	63.5%	63.2%	58.3%
Other					
Common stockholders of record	31,323	31,383	34,687	24,178	21,946
Total employees	29,942	31,404	29,316	28,069	27,798
Postage meters in service, U.S., U.K. and Canada	1,386,387	1,354,501	1,302,879	1,237,422	1,195,421

000422

Consolidated Statement of Income

(Dollars in thousands, except per share data)

Years ended December 31	1990	1989	1988
Revenue from:			
Sales	$1,539,414	$1,399,680	$1,303,840
Rentals and financing	1,184,105	1,047,151	897,646
Support services	472,031	428,854	374,166
Total revenue	3,195,550	2,875,685	2,575,652
Costs and expenses:			
Cost of sales	790,312	715,591	634,915
Cost of rentals and financing	328,527	268,364	227,276
Selling, service and administrative	1,300,367	1,204,592	1,120,163
Research and development	109,344	87,285	79,493
Interest expense	264,473	238,375	166,142
Interest income	(11,617)	(9,579)	(5,295)
Nonrecurring charges	86,500	110,000	–
Total costs and expenses	2,867,906	2,614,628	2,222,694
Income from continuing operations before income taxes	327,644	261,057	352,958
Provision for income taxes	120,995	80,947	122,560
Income from continuing operations	206,649	180,110	230,398
Discontinued operations	6,646	6,609	12,960
Income before cumulative effect of a change in accounting for income taxes	213,295	186,719	243,358
Cumulative effect of a change in accounting for income taxes	–	66,048	–
Net income	$ 213,295	$ 252,767	$ 243,358
Income per common and common equivalent share:			
Continuing operations	$2.60	$2.27	$2.92
Discontinued operations	.08	.09	.16
Cumulative effect of a change in accounting for income taxes	–	.83	–
Net income	$2.68	$3.19	$3.08

See notes, pages 31 through 38

000423

Consolidated Balance Sheet

Pitney Bowes Inc.

(Dollars in thousands)

December 31	1990	1989
Assets		
Current assets:		
Cash and cash equivalents	$ 79,058	$ 60,998
Short-term investments, at cost which approximates market	862	79
Accounts receivable, less allowances: 1990, $14,352; 1989, $13,259	416,688	414,180
Finance receivables, less allowances: 1990, $23,869; 1989, $21,742	863,750	742,397
Inventories	381,354	440,208
Other current assets and prepayments	57,389	40,720
Total current assets	1,799,101	1,698,582
Property, plant and equipment, net	565,150	509,751
Rental equipment and related inventories, net	608,441	595,840
Property leased under capital leases, net	20,231	24,851
Long-term finance receivables, less allowances: 1990, $60,645; 1989, $56,620	2,673,134	2,464,823
Goodwill, net of amortization: 1990, $28,964; 1989, $23,971	158,123	150,444
Other assets	236,365	166,824
Total assets	$6,060,545	$5,611,115
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 560,697	$ 501,050
Income taxes payable	159,955	96,705
Notes payable and current portion of long-term obligations	1,865,720	1,396,800
Advance billings	302,506	276,351
Total current liabilities	2,888,878	2,270,906
Deferred taxes on income	444,397	465,342
Long-term debt	1,099,396	1,369,338
Other noncurrent liabilities	38,460	77,202
Total liabilities	4,471,131	4,182,788
Stockholders' equity:		
Cumulative preferred stock, $50 par value, 4% convertible	136	226
Cumulative preference stock, no par value, $2.12 convertible	5,163	5,821
Common stock, $2 par value (120,000,000 shares authorized; 80,834,478 shares issued)	161,669	161,610
Capital in excess of par value	153,356	150,286
Retained earnings	1,307,421	1,188,945
Cumulative translation adjustments	36,946	3,911
Treasury stock, at cost (2,145,850 shares)	(75,277)	(82,472)
Total stockholders' equity	1,589,414	1,428,327
Total liabilities and stockholders' equity	$6,060,545	$5,611,115

See notes, pages 31 through 38

000424

Consolidated Statement of Cash Flows

Pitney Bowes Inc.

(Dollars in thousands)

Years ended December 31	1990	1989	1988
Cash flows from operating activities:			
Income from continuing operations	$ 206,649	$ 180,110	$ 230,398
Cumulative effect of a change in accounting for income taxes	–	66,048	–
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	220,594	194,549	162,587
Nonrecurring charges, net	6,630	110,000	–
(Decrease) increase in deferred taxes on income	(25,875)	(98,326)	68,979
Change in assets and liabilities:			
Accounts receivable	1,410	(24,880)	(16,616)
Sales-type lease receivables	(119,070)	(42,111)	(88,143)
Inventories	28,759	(69,291)	(7,292)
Other current assets and prepayments	(14,657)	(1,292)	(6,683)
Accounts payable and accrued liabilities	86,485	(28,890)	40,977
Income taxes payable	57,757	61,471	(24,877)
Advance billings	22,148	14,149	27,492
Other, net	12,215	(40,272)	(22,091)
Discontinued operations	10,655	10,478	751
Net cash provided by operating activities	493,700	331,743	365,482
Cash flows from investing activities:			
Short-term investments	(783)	490	14,621
Net investment in fixed assets	(322,680)	(299,734)	(309,488)
Net investment in direct-finance lease receivables	(142,733)	(422,731)	(504,692)
Investment in leveraged leases	(77,014)	(23,150)	(34,306)
Proceeds from sale of subsidiaries	14,743	–	93,463
Net assets of companies acquired	–	(93,359)	(15,867)
Net cash used in investing activities	(528,467)	(838,484)	(756,269)
Cash flows from financing activities:			
Increase in notes payable	307,021	256,062	132,940
Proceeds from long-term obligations	93,728	494,561	389,251
Principal payments on long-term obligations	(257,744)	(145,412)	(113,196)
Proceeds from issuance of stock	19,191	19,078	19,179
Stock repurchases	(21,467)	(19,336)	–
Dividends paid	(94,819)	(81,718)	(72,055)
Net cash provided by financing activities	45,910	523,235	356,119
Effect of exchange rate changes on cash	6,917	(638)	(2,514)
Increase (decrease) in cash and cash equivalents	18,060	15,856	(37,182)
Cash and cash equivalents at beginning of year	60,998	45,142	82,324
Cash and cash equivalents at end of year	$ 79,058	$ 60,998	$ 45,142

See notes, pages 31 through 38

000425

Consolidated Statement of Stockholders' Equity

Pitney Bowes Inc.

(Dollars in thousands)

	Preferred stock	Preference stock	Common stock	Capital in excess of par value	Retained earnings	Cumulative translation adjustments	Treasury stock, at cost
Balance, January 1, 1988	$316	$ 9,244	$158,869	$116,416	$ 846,593	$ 11,745	$(97,867)
Net income - 1988					243,358		
Cash dividends:							
Preferred ($2.00 per share)					(12)		
Preference ($2.12 per share)					(548)		
Common ($.92 per share)					(71,495)		
Sales under stock purchase, option and dividend reinvestment plans		7	1,242	16,351			
Conversions to common stock	(32)	(2,803)	830	2,005			
Conversions of debt		159	23	98			
Issuances for companies acquired				6,447			22,753
Translation adjustments						3,899	
Tax credits relating to stock options				1,579			
Balance, December 31, 1988	284	6,607	160,964	142,896	1,017,896	15,644	(75,114)
Net income - 1989					252,767		
Cash dividends:							
Preferred ($2.00 per share)					(11)		
Preference ($2.12 per share)					(477)		
Common ($1.04 per share)					(81,230)		
Sales under stock purchase, option and dividend reinvestment plans			384	5,749			11,978
Conversions to common stock	(58)	(786)	245	599			
Conversions of debt			17	75			
Purchase of treasury stock							(19,336)
Translation adjustments						(11,733)	
Tax credits relating to stock options				967			
Balance, December 31, 1989	226	5,821	161,610	150,286	1,188,945	3,911	(82,472)
Net income - 1990					213,295		
Cash dividends:							
Preferred ($2.00 per share)					(6)		
Preference ($2.12 per share)					(423)		
Common ($1.20 per share)					(94,390)		
Sales under stock purchase, option and dividend reinvestment plans			30	1,046			16,352
Conversions to common stock	(90)	(658)	29	(2,480)			3,199
Conversions of debt				(77)			110
Issuance for company acquired				2,818			9,001
Purchase of treasury stock							(21,467)
Translation adjustments						33,035	
Tax credits relating to stock options				1,763			
Balance, December 31, 1990	$136	$ 5,163	$161,669	$153,356	$1,307,421	$ 36,946	$(75,277)

See notes, pages 31 through 38

000426

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 e accounts of Pitney Bowes Inc. and all of its subsidiaries ("the company"). All significant intercompany transactions have been eliminated.

Cash equivalents. Cash equivalents include short-term, highly liquid investments with a maturity of three months or less from date of acquisition.

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 domestic inventories, and the first-in, first-out (FIFO) basis for most foreign inventories.

Fixed assets and depreciation. Property, plant and equipment are stated at cost. 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. 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.

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 one year. 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.

nancing transactions. At the time a finance transaction is consummated, the company's finance operations record the gross receivable, unearned income and the estimated residual value of leased equipment. Unearned income represents the excess of the gross 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 Statement 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 over the term of the lease.

The company evaluates the collectibility of its net investment in finance receivables based upon its loss experience and does so through ongoing reviews of 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. Losses are charged against the allowance for credit losses. The company's policy is to discontinue income recognition for finance receivables contractually past due for over 120 days.

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.

Costs and expenses. Operating expenses of field sales ıd 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.

Retirement plans. The company has several pension plans covering substantially all employees, including employees in countries outside the U.S. The plans' benefits are primarily based on employee compensation during the five years preceding retirement and the number of years of service. The company's funding policy is to contribute amounts sufficient to provide for benefits earned to date and expected to be earned in the future.

Income taxes. Effective January 1, 1989, the company adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." Income tax information is disclosed in Note 8.

The provision for income taxes in 1990 and 1989 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. The provision for income taxes prior to 1989 is based on pretax amounts reported in the Consolidated Statement of Income regardless of the period when such items are reported for tax purposes.

Deferred taxes on income result principally from expenses not currently recognized for tax purposes, the excess of tax over book depreciation, deferral of lease revenue 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 operating expenses.

It has not been necessary to provide for income taxes on $388 million of cumulative undistributed earnings of subsidiaries outside the United States. Such earnings have been and are expected to be reinvested in the business for an indefinite period of time. Determination of the liability that would result in the event these earnings were remitted to the United States is not practicable. It is estimated, however, that withholding taxes on such remittances would approximate $20 million.

Investment tax credits recognized on transitional property have been accounted for using the flow-through method.

Income per share. Income per share is based on the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares include preference stock, stock option and purchase plan shares and convertible debt.

Deposits in trust. The company's customers electing the use of the Pitney Bowes Postage By Phone® meter setting system, a computerized system developed by the company for the resetting of postage meters via telephone, are required to make deposits with a trustee to cover expected postage usage. Such funds, which are not available to the company, are transferred to the respective postal services upon resettings of meters for which the company receives fees. Deposits in trust are not included in the company's Consolidated Balance Sheet.

Foreign currency translation. Assets and liabilities of subsidiaries operating outside the U.S. have been translated at rates in effect at the end of the period, and revenues and expenses were translated at average rates during the period. Net deferred translation gains and losses are accumulated in stockholders' equity.

The company enters into forward foreign exchange contracts primarily to hedge certain firm foreign currency commitments for equipment purchases. Gains and losses are deferred and recognized as part of the cost of the underlying transaction being hedged. At December 31, 1990, the company had approximately

000427

$182.0 million of forward exchange contracts outstanding, maturing through 1993, to buy or sell various currencies.

Foreign currency transactions and translation (losses) and gains were $(915), $1,980 and $585 in 1990, 1989 and 1988, respectively.

2. Inventories

Inventories consist of the following:

December 31	1990	1989
Raw materials and work in process	$112,265	$109,920
Supplies and service parts	102,021	100,440
Finished products	167,068	229,848
Total	$381,354	$440,208

Had all inventories valued at LIFO been stated at current costs, inventories would have been $41.9 million and $46.0 million higher than reported at December 31, 1990 and 1989, respectively. Net income for 1988 was increased approximately $2.6 million due to the partial liquidation of inventories carried at costs prevailing in prior years; the partial liquidation of inventories in 1990 had an insignificant impact on net income.

3. Fixed assets

December 31	1990	1989
Land	$ 36,473	$ 34,961
Buildings	301,334	292,137
Machinery and equipment	685,712	582,113
	1,023,519	909,211
Accumulated depreciation	(458,369)	(399,460)
Property, plant and equipment, net	$ 565,150	$ 509,751
Rental equipment and related inventories	$1,214,695	$1,095,912
Accumulated depreciation	(606,254)	(500,072)
Rental equipment and related inventories, net	$ 608,441	$ 595,840
Property leased under capital leases	$ 47,965	$ 52,815
Accumulated amortization	(27,734)	(27,964)
Property leased under capital leases, net	$ 20,231	$ 24,851

4. Current liabilities

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

December 31	1990	1989
Accounts payable-trade	$ 173,494	$ 125,258
Accrued salaries, wages and commissions	86,127	84,006
Accrued pension obligations	79,521	48,732
Transition costs	28,230	71,102
Miscellaneous accounts payable and accrued liabilities	193,325	171,952
Accounts payable and accrued liabilities	$ 560,697	$ 501,050
Notes payable and overdrafts	$1,535,774	$1,213,701
Current portion of long-term debt	327,485	180,167
Current portion of capital lease obligations	2,461	2,932
Notes payable and current portion of long-term obligations	$1,865,720	$1,396,800

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 of the company's U.S. operations and financial services segment 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 $1,167, $1,080 and $1,506 in 1990, 1989 and 1988, respectively.

At December 31, 1990, notes payable and overdrafts outside the U.S. totaled $211.0 million and U.S. notes payable totaled $1.3 billion. Unused credit facilities outside the U.S. totaled $117.6 million at December 31, 1990 of which $89.4 million were for finance operations. In the U.S., the company had $1.4 billion of unused credit facilities in place at December 31, 1990 largely in support of commercial paper borrowings of which $1.0 billion were for the finance operations.

The company enters into interest rate swap and swap option agreements as a means of managing interest rate exposure. At December 31, 1990, the company had outstanding interest rate swap agreements with notional principal amounts of $840 million. Under the agreements, with terms expiring at various dates from 1991 to 2004, the company exchanges rates between fixed-rate debt with rates ranging from 6.84% to 13.30% and commercial paper rates. The interest differential to be paid or received under swap agreements is recorded on the accrual basis as an adjustment to interest expense. The company has also written interest rate swap options. Premiums received on interest rate swap options are recognized over the option period. At December 31, 1990, the company had swap options outstanding on $200 million notional principal amounts.

000428

5. Long-term debt

December 31	1990	1989
Non-Financial Services debt:		
9.25% notes due 1992	$ –	$ 4,000
6.75% notes due 1993	–	5,200
8.88% notes due 1993	99,857	100,000
9.00% sinking fund debentures		
due through 1994	3,080	9,700
8.16% to 8.75% notes due 1992-1995	94,050	50,000
Other, various due dates (5.50% to 16.50%)	11,253	15,628
	208,240	184,528
Financial Services debt:		
Senior notes:		
7.38% notes due 1991	–	100,000
11.13% notes due 1992	–	75,000
7.25% notes due 1992	100,000	100,000
8.75% notes due 1996	75,000	75,000
10.13% notes due 1997	100,000	100,000
10.65% notes due 1999	100,000	100,000
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
Subordinated debt:		
12.75% notes due through 1994	2,160	2,870
Other U.S. dollar notes due 1991-1992		
(9.25% to 9.95%)	2,000	6,000
Canadian dollar notes due 1991-2000		
(9.57% to 13.42%)	121,008	196,632
German mark notes due 1991-1993		
(5.15% to 8.95%)	16,080	27,260
British sterling notes due 1991-1998		
(9.88% to 12.18%)	20,408	52,048
French franc notes due 1992-1994		
(10.30%)	4,500	–
Total long-term debt	$1,099,396	$1,369,338

In addition to the carry-over of $150 million from a previous shelf registration, the company filed a $250 million shelf registration with the Securities and Exchange Commission in March 1990. In April 1990, the company established a medium-term note facility permitting issuance of up to $100 million in debt securities from the $400 million available. Securities issued under this medium-term note facility would have maturities ranging from more than one year to 30 years. In the fourth quarter of 1990, the company issued $44.1 million in medium-term notes under this program at interest rates ranging from 8.16% to 8.72% with maturities between two and four years.

In February 1991, Pitney Bowes Credit Corporation ("PBCC") issued $150 million principal amount of 8.80% notes due in 2003; this leaves PBCC with $175 million remaining on shelf registrations filed with the Securities and Exchange Commission. As part of these shelf registrations, PBCC has a medium-term note facility permitting issuance of up to $150 million in debt securities having maturities ranging from nine months to 30 years.

The annual maturities of the outstanding debt during each of the next five years are as follows: 1991, $327,485; 1992, $236,732; 1993, $139,064; 1994, $50,655 and 1995, $8,654. Interest paid during 1990, 1989 and 1988 was $276,718, $230,428 and $156,187, respectively.

Under the most restrictive provision of the company's several financing agreements, approximately $404,774 of retained earnings at December 31, 1990 are available for dividends.

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 income available for fixed charges. The company has not been required to make any such payments to maintain income available for fixed charge coverage. The company does not guarantee payment of any of the finance operations' obligations.

6. Capital stock and capital in excess of par value

At December 31, 1990, 120,000,000 shares of common stock, 600,000 shares of preferred stock, and 5,000,000 shares of preference stock were authorized, and 78,688,628 shares of common stock (net of 2,145,850 shares of treasury stock), 2,714 shares of preferred stock and 190,691 shares of preference stock were issued and outstanding. The balance of unreserved and unissued preferred stock (360,000 shares) and preference stock (4,806,387 shares) may be issued in the future by the board of directors, which will determine the dividend rate, terms of redemption, terms of conversion (if any) and other pertinent features. Unreserved and unissued common stock (exclusive of treasury stock) at December 31, 1990 amounted to 34,678,610 shares.

An aggregate of 843,245 treasury shares were canceled upon issuance of such amount of shares principally for the company's stock purchase and option plans and the purchase of VOCAM Systems, Inc. in February 1990.

The preferred stock outstanding, which is entitled to cumulative dividends at the rate of $2 per year, is redeemable at the option of the company, 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 cumulative preferred stock is convertible into 6.06 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 is redeemable at the option of the company at the rate of $28 per share. Each share of the $2.12 convertible preference stock is convertible into four shares of common stock, subject to adjustment in certain events.

At December 31, 1990, an aggregate of 801,250 shares of common stock were reserved for issuance upon conversion of the preferred stock (16,447 shares), $2.12 preference stock (774,768 shares) and 5-1/2% convertible debt (10,035 shares). In addition, 817,930 shares of common stock were reserved for issuance under the company's dividend reinvestment plan and 96,285 shares of common stock were reserved for a contingent payment related to the LPC, Inc. acquisition.

Each share of common stock outstanding has attached one preference share purchase right. The rights, which are subject to certain anti-dilution adjustments, become exercisable in certain circumstances, after which they will entitle the holder to purchase 1/200 of a share of newly created series A junior participating preference stock. If, after the rights become exercisable, the company is involved in a merger or certain other transactions, the holder will be entitled to buy stock in the surviving company at a 50 percent discount.

000429

7. Stock purchase and option plans

Transactions under the company's stock purchase and option plans are summarized below:

Common stock	Shares	Price per share
January 1, 1989, shares reserved	1,082,431	$ 6-$47
Shares offered 1989 (price approximates market value at date of grant)	574,684	$39-$52
Shares issued 1989	(514,957)	$ 6-$45
Shares canceled 1989	(90,392)	$19-$45
December 31, 1989, shares reserved	1,051,766	$ 7-$52
Shares offered 1990 (price approximates market value at date of grant)	556,310	$33-$52
Shares issued 1990	(451,653)	$ 7-$50
Shares canceled 1990	(131,089)	$34-$52
December 31, 1990, shares reserved	1,025,334	$ 7-$52

Of the common shares reserved at December 31, 1990, options for 328,035 are exercisable. At December 31, 1990, there remain 1,642,616 common shares for which rights to purchase may be granted under the stock purchase plans. In addition, rights to purchase 103,497 common shares under the stock option plans may also be granted.

8. Taxes on income

In the fourth quarter of 1989, the company adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" ("FAS 96"). The effect of applying FAS 96 on the amount of deferred taxes reported as of January 1, 1989 has been reflected in the Consolidated Statement of Income as a cumulative effect of a change in accounting for income taxes. As a result of the change, 1989 quarterly earnings were restated and the cumulative effect of the change of $66.0 million, or 83 cents per share, was reflected in restated earnings for the first quarter of 1989. The effect on the 1989 provision for income taxes due to the change was not significant.

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

Years ended December 31	1990	1989	1988
Income from continuing operations before income taxes:			
U.S.	$227,051	$161,050	$253,379
Outside the U.S.	100,593	100,007	99,579
Total	$327,644	$261,057	$352,958
Provision for income taxes:			
U.S. federal:			
Currently payable	$ 43,874	$ 44,118	$ 24,621
Investment tax credit	(2,812)	(8,831)	(8,911)
Deferred	18,821	(3,308)	47,346
	59,883	31,979	63,056
U.S. state and local:			
Currently payable	5,936	10,807	10,118
Deferred	12,393	(208)	9,175
	18,329	10,599	19,293
Outside the U.S.:			
Currently payable	42,258	24,946	23,468
Deferred	525	13,423	16,743
	42,783	38,369	40,211
Total	$120,995	$ 80,947	$122,560

The Tax Reform Act of 1986 rescinded the investment tax credit effective January 1, 1986. However, certain investment tax credits have been allowable under transitional rules.

Deferred taxes result from temporary differences in the recognition of revenue and expenses for tax and financial statement purposes. The sources of these differences and the tax effect of each were as follows:

Years ended December 31	1990	1989	1988
Deferred profit (for tax purposes) on sales to finance subsidiaries	$24,579	$ 6,261	$ 533
Inventory and equipment capitalization	(2,807)	(3,199)	(3,836)
Depreciation	(2,375)	(2,935)	13,734
Pension expense	(3,809)	(7,056)	1,178
Vacation accrual	(2,565)	(640)	(7,206)
Lease revenue and related depreciation	15,598	57,323	78,375
Reserve for nonrecurring charges	6,138	(40,640)	–
Other	(3,020)	793	(9,514)
Deferred tax expense	$31,739	$ 9,907	$73,264

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

Percent of pretax income	1990	1989	1988
U.S. federal statutory rate	34.0%	34.0%	34.0%
Investment tax credit	(0.9)	(3.4)	(2.5)
State and local income taxes	3.7	2.7	3.6
Foreign taxes in excess of U.S. federal rate	2.6	1.5	1.8
Research and development credits and other	(2.5)	(3.8)	(2.2)
Effective income tax rate	36.9%	31.0%	34.7%

Income taxes paid during 1990, 1989 and 1988 were $80,449, $60,269 and $77,773, respectively.

000430

9. Retirement plans

Total pension expense amounted to $27.4 million in 1990, $27.8 million in 1989 and $23.1 million in 1988. Net pension expense for 1990, 1989 and 1988 included the following components:

	United States			Foreign		
	1990	1989	1988	1990	1989	1988
Service cost - benefits earned during period	$ 22,042	$ 22,614	$ 20,794	$ 8,664	$ 6,767	$ 6,659
Interest cost on projected benefit obligations	42,391	37,535	33,627	9,438	7,666	6,023
Actual return on assets	12,252	(74,539)	(45,323)	12,543	(18,783)	(8,472)
Net amortization and deferral	(54,585)	37,058	10,151	(26,543)	8,018	(857)
Net periodic pension cost	$ 22,100	$ 22,668	$ 19,249	$ 4,102	$ 3,668	$ 3,353

The funded status at December 31, 1990 and 1989 for the company's plans was:

Funded status:	United States		Foreign	
	1990	1989	1990	1989
Actuarial present value of:				
Vested benefits	$362,653	$295,594	$ 89,491	$ 75,989
Accumulated benefit obligations	$399,240	$333,462	$ 89,480	$ 76,353
Projected benefit obligations	$540,781	$484,841	$115,570	$ 99,361
Plan assets at fair value, primarily stocks and bonds, adjusted by:	441,341	476,632	124,054	125,792
Unrecognized net loss (gain)	46,778	(16,908)	5,494	(9,349)
Unrecognized net asset	(33,298)	(36,635)	(32,709)	(31,041)
Unamortized prior service costs from plan amendments	19,941	21,873	10,174	9,464
	474,762	444,962	107,013	94,866
Net pension liability	$ 66,019	$ 39,879	$ 8,557	$ 4,495
lans' assumptions*:				
Discount rate	8.75%	8.75%	7.0%-11.0%	7.0%-9.0%
Rate of increase in future compensation levels	6.25%	6.25%	4.0%-9.0%	4.0%-7.5%
Expected long-term rate of return on plan assets	9.50%	9.50%	8.5%-11.0%	8.5%-9.0%

*Pension costs are determined using assumptions as of the beginning of the year while the funded status of the plans is determined using assumptions as of the end of the year.

The company also provides certain health care and life insurance benefits for retired employees. Substantially all of the company's employees may become eligible for those benefits if they reach normal retirement age while working for the company. The cost of such benefits is expensed as claims are paid and for 1990, 1989 and 1988 totaled $9,712, $6,830 and $5,497, respectively.

In December 1990, Statement of Financial Accounting Standards No. 106, "Employers' Accounting For Postretirement Benefits Other Than Pensions" ("FAS 106"), was issued addressing health care and other welfare benefits provided to retirees. FAS 106 requires a change from the cash basis of accounting to the accrual basis of accounting for these benefits and is effective for fiscal years beginning after December 15, 1992. The accrual basis requires measurement of the company's obligation and accrual of that obligation over the period in which the employee provides service to the company. FAS 106 allows for immediate recognition of the accumulated postretirement benefit obligation or amortization of the obligation over 20 years. Upon adoption of this standard, the company anticipates a significant increase in its annual postretirement benefit expense. If the company decides to recognize its postretirement benefit obligation immediately, it anticipates recording a significant one-time charge to income for the cumulative effect on prior years of not accruing such benefits. The company is currently studying all options available to it as well as potential future plan changes, and accordingly, the amount of the obligation and impact on the company's financial statements is not presently estimable.

000431

10. Acquisitions and discontinued operations

In October 1989, the company acquired all of the outstanding stock of Pandick Technologies, Inc. ("Pandick") for approximately $95 million in cash. Pandick, a nationwide provider of on-site contract services for reprographics and mailroom management, had revenue of approximately $100 million for its fiscal year ended August 31, 1989. The transaction was accounted for by the purchase method and its pro forma effect on results was immaterial.

In the fourth quarter of 1989, the company announced its intent to seek a buyer for its Wheeler Group Inc. ("Wheeler") subsidiary. The sale of Wheeler is expected to result in a gain at closing. Wheeler has been classified in the Consolidated Statement of Income as a discontinued operation; revenue and income have been excluded from continuing operations.

Summary results of Wheeler operations prior to its sale, which have been classified separately, were as follows:

Years ended December 31	1990	1989	1988
Revenue	$71,434	$74,018	$74,231
Income before income taxes	$11,008	$10,915	$11,244
Provision for income taxes	4,362	4,306	4,599
Net income	$ 6,646	$ 6,609	$ 6,645

During the first quarter of 1988, the company sold all of the capital stock of its Data Documents, Inc. subsidiary for approximately $93 million in cash. The sale resulted in a gain of $6.2 million (net of $6.3 million of income taxes). First quarter 1988 operations, prior to its sale, include revenue of $15.3 million and net income of $.1 million.

11. Nonrecurring charges

In December 1989, the company announced a series of transition initiatives designed to improve the company's competitiveness, enhance business focus and allow for the transition to a new generation of advanced systems products. In support of these initiatives, the company recorded a one-time, pretax charge of $110 million against fourth-quarter 1989 earnings. The three-year transition program includes a reduction in the company's worldwide workforce approximating 1,500 positions, a change of employee skill mix, a reduction in the number of product distribution centers and a streamlining of administrative systems and equipment service organizations. The company also established a dedicated U.S. copier division responsible for sourcing, selling, marketing, servicing and supporting the company's copier products.

In September 1990, the company changed its copier marketing strategy and announced plans to discontinue the remanufacture of used copier equipment. The copier organization now concentrates on new, higher-margin copiers consistent with its marketing strategy directed at serving large corporations and multi-unit installations. As a result of this change in strategy and the resultant discontinuance of the equipment remanufacturing process, the company adjusted the estimated useful life of copiers from five years to three years and established a reserve for the disposal of copiers which previously would have been remanufactured, employee severance payments and facility closing costs. The aggregate one-time, pretax charge against 1990 third-quarter earnings was $86.5 million.

12. Commitments and contingencies

At December 31, 1990, the company's finance subsidiaries had unfunded commitments of $49.1 million to extend credit to customers. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future liquidity requirements. The company evaluates each customer's credit worthiness on a case-by-case basis. The amount and type of collateral obtained, if deemed necessary by the company, upon extension of credit is based on management's credit assessment of the customer. Fees received under the agreements are recognized over the commitment period.

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

13. 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 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 as of December 31, 1990 are as follows:

Years ending December 31	Capital leases	Operating leases
1991	$ 7,354	$ 74,174
1992	7,234	55,872
1993	6,549	38,912
1994	6,202	28,822
1995	5,783	19,455
Later years	44,747	88,563
Total minimum lease payments	77,869	$305,798
Less amount representing interest	(38,848)	
Present value of net minimum lease payments	$ 39,021	

Rental expense was $101,017, $73,282 and $59,389 in 1990, 1989 and 1988, respectively.

000432

14. Financial services

The company has several consolidated finance operations which are engaged in lease financing of the company's products as well as other commercial and industrial transactions in the U.S., Canada, the U.K., Germany, France and Australia. Condensed financial data for the consolidated finance operations follows:

Condensed summary of operations Years ended December 31	1990	1989	1988
Revenue	$547,814	$455,369	$365,896
Costs and expenses	159,839	117,626	96,469
Interest, net	227,636	207,107	143,937
Total expenses	387,475	324,733	240,406
Income before income taxes	160,339	130,636	125,490
Provision for income taxes	53,837	35,265	38,722
Income before cumulative effect of a change in accounting for income taxes	106,502	95,371	86,768
Cumulative effect of a change in accounting for income taxes	—	10,767	—
Net income	$106,502	$106,138	$ 86,768

Condensed balance sheet at December 31	1990	1989
Cash and cash equivalents	$ 12,049	$ 5,442
Finance receivables, net	863,750	742,397
Other current assets and prepayments	32,676	19,345
Total current assets	908,475	767,184
Long-term finance receivables, net	2,673,134	2,464,823
Other assets	228,874	112,759
Total assets	$3,810,483	$3,344,766
Accounts payable and other current liabilities	$ 311,414	$ 179,329
Notes payable and current portion of long-term obligations	1,705,922	1,159,183
Total current liabilities	2,017,336	1,338,512
Deferred taxes on income	225,893	278,167
Long-term debt	984,315	1,245,066
Total liabilities	3,227,544	2,861,745
Equity	582,939	483,021
Total liabilities and equity	$3,810,483	$3,344,766

Finance receivables are generally due in monthly, quarterly or semi-annual installments over periods ranging from three to seven years. In addition, 22 percent of the company's net finance receivables represent secured commercial and private jet aircraft transactions with lease terms ranging from five to 24 years. Maturities of gross finance receivables and notes payable for the finance operations are as follows:

Years ending December 31	Gross finance receivables	Notes payable and subordinated debt
1991	$1,238,569	$1,705,922
1992	942,404	172,551
1993	668,100	18,899
1994	368,542	29,778
1995	197,223	6,644
Thereafter	1,193,283	756,443
Total	$4,608,121	$2,690,237

Finance operations' net purchases of Pitney Bowes equipment amounted to $480.5 million, $391.7 million and $402.5 million in 1990, 1989 and 1988, respectively. The components of net finance receivables were as follows:

December 31	1990	1989
Gross finance receivables	$ 4,608,121	$ 4,250,605
Residual valuation	393,379	344,892
Initial direct cost deferred	42,592	31,428
Allowance for credit losses	(84,514)	(78,362)
Unearned income	(1,422,694)	(1,341,343)
Net finance receivables	$ 3,536,884	$ 3,207,220

The company has sold net finance receivables with varying amounts of recourse in privately-placed transactions with third-party investors. Aggregate exposure relative to the uncollected principal balance of the receivables sold and residual guarantee contracts totaled $426.1 million. These contracts are supported by the underlying equipment value and credit worthiness of customers. Adequate provisions have been made for receivables which may be uncollectible.

The company has invested in certain real estate and aircraft leveraged lease transactions and, in 1990, various types of equipment under operating leases. The net investment in leveraged and operating leases at December 31, 1990 and 1989 was not significant.

15. Business segment information

For a description of the company's segments and financial information relating to revenue, operating profit and identifiable assets by business segment for the years 1990, 1989 and 1988, see Segments on page 22. That information is incorporated herein by reference. The information set forth below should be read in conjunction with such information. 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, which amounted to $72,700 in 1990, $72,939 in 1989 and $67,769 in 1988, income taxes and net interest other than that related to the financial services segment. With respect to geographic areas, operating profit is shown before elimination of changes in intercompany profit levels which increased such profits by $2,745 in 1990, $1,746 in 1989 and $733 in 1988. Additional segment information is as follows:

000433

Years ended December 31	1990	1989	1988
Depreciation and amortization:			
Business equipment	$193,310	$177,309	$147,663
Business supplies and services	10,786	7,620	6,945
Financial services	10,080	3,520	2,269
Total	$214,176	$188,449	$156,877
Net additions to property, plant and equipment and rental equipment and related inventories:			
Business equipment	$202,101	$264,111	$301,601
Business supplies and services	10,220	16,214	9,380
Financial services	55,328	4,141	4,547
Total	$267,649	$284,466	$315,528

Identifiable assets are those used in the company's operations in each segment and exclude cash and cash equivalents and short-term investments. Identifiable assets of geographic areas include intercompany profits on inventory and rental equipment transferred between segments and intercompany accounts. A reconciliation of identifiable assets to consolidated assets is as follows:

December 31	1990	1989
Identifiable assets by geographic area	$5,849,386	$5,396,592
Inter-area profits	(15,825)	(12,762)
Intercompany accounts	(52,756)	(32,602)
Identifiable assets by industry segment	5,780,805	5,351,228
Cash and cash equivalents and short-term investments	79,920	61,077
General corporate assets	139,860	133,661
Discontinued operations	59,960	65,149
Consolidated assets	$6,060,545	$5,611,115

16. Quarterly financial data (unaudited)

Summarized quarterly financial data (in millions of dollars, except per share data) for 1990 and 1989 follows:

	Three Months Ended			
1990	March 31	June 30	Sept. 30	Dec. 31
Total revenue	$755.7	$774.2	$799.7	$866.0
Cost of sales and rentals and financing	$263.2	$267.4	$288.1	$300.1
Nonrecurring charge	$ –	$ –	$ 86.5	$ –
Income from continuing operations	$ 59.7	$ 60.4	$ 10.4	$ 76.1
Discontinued operations	–	–	1.4	5.3
Net income	$ 59.7	$ 60.4	$ 11.8	$ 81.4
Income per common and common equivalent share:				
Continuing operations	$ .75	$ .76	$ .13	$ .95
Discontinued operations	–	–	.02	.07
Net income	$ .75	$ .76	$ .15	$ 1.02

	Three Months Ended			
1989	March 31	June 30	Sept. 30	Dec. 31
Total revenue	$658.2	$693.6	$711.9	$812.0
Cost of sales and rentals and financing	$217.4	$230.0	$237.5	$299.1
Nonrecurring charge	$ –	$ –	$ –	$110.0
Income from continuing operations	$ 53.4	$ 62.3	$ 59.4	$ 5.0
Discontinued operations	.1	(.5)	2.6	4.5
Cumulative effect of a change in accounting for income taxes	66.0	–	–	–
Net income	$119.5	$ 61.8	$ 62.0	$ 9.5
Income per common and common equivalent share:				
Continuing operations	$ .68	$ .78	$ .75	$ .06
Discontinued operations	–	–	.03	.06
Cumulative effect of a change in accounting for income taxes	.83	–	–	–
Net income	$ 1.51	$ .78	$ .78	$ .12

Report of Independent Accountants

Price Waterhouse

To the Stockholders and Board of Directors of Pitney Bowes Inc.:

In our opinion, the accompanying consolidated balance sheet 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, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards 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.

As discussed in Note 8 to the consolidated financial statements, the company elected to adopt a new accounting standard for income taxes in 1989.

Price Waterhouse

Stamford, Connecticut
February 4, 1991

000434

Directors and Officers

Directors

Colin G. Campbell
President
Rockefeller Brothers Fund

Donald W. Davis
Chairman, Executive Committee
The Stanley Works
tool and hardware manufacturer

John C. Emery, Jr.
Former Chairman, President and
Chief Executive Officer
Emery Air Freight Corporation

George B. Harvey
Chairman, President and
Chief Executive Officer
Pitney Bowes Inc.

Charles E. Hugel
Advisor to the Chief
Executive Officer and
Former Chairman
Asea, Brown, Boveri Inc.
principal products are power generation, and process equipment and systems

David T. Kimball
Retired Chairman and
Chief Executive Officer
General Signal Corporation
manufacturer of instrumentation and control systems and industrial equipment

Phyllis Shapiro Sewell
Retired Senior Vice President
Federated Department Stores, Inc.
retailer

Arthur R. Taylor
Dean of the Faculty of Business,
Fordham University, and
Chairman
Arthur Taylor & Co.
investment firm

Julia M. Walsh
Managing Director
Tucker Anthony, Inc.
investment firm

Corporate officers

George B. Harvey
Chairman, President and
Chief Executive Officer

Carmine F. Adimando
Vice President–Finance and
Administration, and Treasurer

Marc C. Breslawsky
President
Pitney Bowes Office Systems

John J. Canning
President
Pitney Bowes Financial Services

Michael J. Critelli
Vice President, Secretary and
General Counsel, and
Chief Personnel Officer

Steven J. Green
Vice President–Controller

John T. Herbert
Vice President–Facilities
and Operations Services

Hiro R. Hiranandani
President
Pitney Bowes Mailing Systems

Paul Reece
Vice President–Technical Systems and
Advanced Products

Douglas A. Riggs
Vice President–Corporate Planning,
Communications and
External Affairs

Carole F. St. Mark
President
Pitney Bowes Logistics Systems and
Business Services

Board changes

Denis F. Mullane, a board member since 1982, and Eleanor Holmes Norton, a board member since 1985, resigned from the Pitney Bowes board of directors during the year.

The Pitney Bowes board of directors wishes to thank Mr. Mullane and Mrs. Norton for the guidance and excellent advice they provided to the company.

000435

Stockholder Information

World headquarters

Pitney Bowes Inc.
Stamford, CT 06926-0700
(203) 356-5000

Annual meeting

Stockholders are cordially invited to attend the 1991 Annual Meeting at 10 a.m., Monday, May 13, 1991, 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:

Pitney Bowes Inc.
Investor Relations (61-40)
World Headquarters
Stamford, CT 06926-0700

Trademarks

Eagle, Letter-Perfect, PostEdge, Postage By Phone®, STAR and Total Package® are trademarks of Pitney Bowes Inc., and Customer Satisfaction Guarantee is a service mark of Pitney Bowes Inc. Digital Express, ExpressTalk, InfoTalk, and StraightTalk are trademarks of Dictaphone Corporation. Express is a trademark of Pitney Bowes Credit Corporation.

Stockholder inquiries

Communications by common, preference and preferred stockholders concerning stock certificates, dividends or address changes should be sent to:

Manufacturers Hanover
Trust Company
Shareholder Relations Dept.
P.O. Box 24935
Church Street Station
New York, NY 10242-4935

Stockholders may call Manufacturers Hanover Trust Company at:
(212) 613-7147 or
Pitney Bowes Stockholder Services at:
(203) 351-6088

Investor inquiries

All investor inquiries about Pitney Bowes should be addressed to:

Pitney Bowes Inc.
Investor Relations (61-40)
World Headquarters
Stamford, CT 06926-0700

Transfer agent, registrar, dividend reinvestment agent and successor rights agent

Common, preference and preferred stock:

Manufacturers Hanover
Trust Company
Equity Services
450 West 33rd Street,
15th floor
New York, NY 10001-2697

Stock information

Dividends per common share

Quarter	1990	1989
First	$ .30	$ .26
Second	.30	.26
Third	.30	.26
Fourth	.30	.26
Total	$1.20	$1.04

Quarterly price ranges of common stock

		1990
Quarter	High	Low
First	48 3/8	40 1/4
Second	53 1/2	45 1/2
Third	50 1/4	27
Fourth	41 1/4	28 5/8

		1989
Quarter	High	Low
First	48 1/8	40 7/8
Second	48 5/8	41 1/2
Third	54 3/4	44 3/8
Fourth	52 7/8	45 1/4

Stock exchanges

Pitney Bowes common stock is traded under the symbol "PBI." It is listed on the New York Stock Exchange and traded on the New York, Midwest, Philadelphia and Boston exchanges.

Comments

Comments concerning the Annual Report should be addressed to:

Pitney Bowes Inc.
Director, Corporate Information (63-09)
World Headquarters
Stamford, CT 06926-0700

000436

Design: Benes Communications, Inc.

Major Photography: Scott Goodwin

Printing: Acme Printing Company, Inc.

Printed in the U.S.A.

Pitney Bowes

000438

PITNEY BOWES ANNUAL REPORT 1990

Pitney Bowes' customers are the keystone of its business, and customer satisfaction is the measure of its success.

Pitney Bowes' relationships with customers will be marked by the highest levels of trust, ethical behavior, communication and responsiveness to their needs.

Pitney Bowes' products and services will meet superior levels of quality, as defined by customer standards and expectations.

Financial Highlights

(Dollars in thousands, except per share data)

	1990	1989	Change
For the year			
Revenue	$3,195,550	$2,875,685	11%
Income from continuing operations	$206,649	$180,110	15
Per share income from continuing operations	$2.60	$2.27	15
Total dividends	$94,819	$81,718	16
Dividends per common share	$1.20	$1.04	15
At year-end			
Total assets	$6,060,545	$5,611,115	8%
Stockholders' equity	$1,589,414	$1,428,327	11
Debt to total capital	65.4%	66.3%	-
Return on stockholders' equity	13.4%	17.7%	-
Book value per common share	$20.13	$18.15	11
Average common and common equivalent shares outstanding	79,624,880	79,323,046	-
Common stockholders of record	31,323	31,383	-
Employees	29,942	31,404	(5)

Pitney Bowes is a $3.2 billion multinational manufacturing and marketing company which provides mailing, shipping, copying, dictating and facsimile systems; item identification and tracking systems and supplies; mailroom, reprographics and related management services; and product financing.

Cover

The theme of this year's Annual Report is customer satisfaction. One such satisfied customer, Fran Matero, general manager, Office Services & Purchasing, Pergamon Press, a Maxwell Group Company, is shown on the cover.

Contents

INMATE COMMUNICATIONS RECORDING AND MONITORING PROPOSAL FROM

USWEST
COMMUNICATIONS

FOR
THE STATE OF WASHINGTON

THE SEAL OF THE STATE OF WASHINGTON 1889

DEPARTMENT OF CORRECTIONS

TABLE OF CONTENTS

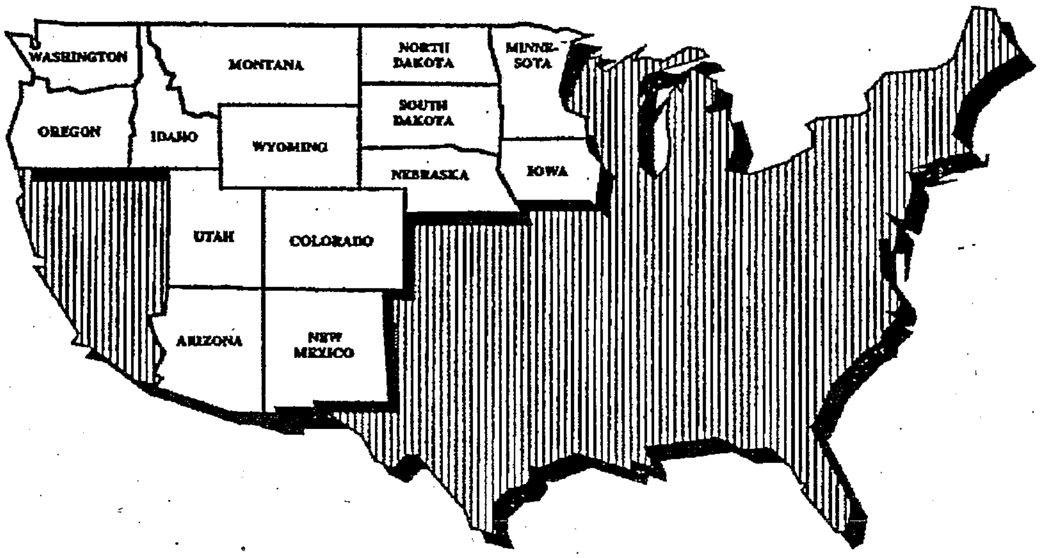
Recording and Monitoring Summary

U S WEST Communications is the preeminent provider of Inmate Telephone Service. To retain this distinction we have become customer focused in the area **inmate equipment provisioning.** The size of our company allows us to obtain the requested recording/monitoring and computer assisted inmate telephone features from a variety of suppliers.

In response to this R.F.P. U S WEST has chosen **Dictaphone** for recording and monitoring equipment including their **Call Watch** system. All requested computer assisted inmate services (blocking timing, etc.) will be obtained from industry leaders upon joint consultation with DOC staff.

U S WEST will accomplish the objective of providing the very best inmate service available for the State of Washington Department Of Corrections through utilization of our telecommunication knowledge and existing equipment coupled with procurement of additional inmate services from industry leaders.

USWEST®
COMMUNICATIONS



INMATE COMMUNICATIONS PHONE MONITORING/RECORDING PROPOSAL NO. CRFP2562

FOR THE

STATE OF WASHINGTON
DEPARTMENT OF CORRECTIONS

000444

Reply Sheet To Appendix C

Each statement the company can comply with must be initialed by the company representative authorized to negotiate this contract. For other responses requested, the answer must be given and initialed. If the company cannot comply with a statement, an "Exception" must be noted. For each statement requiring additional information, a separate sheet must be provided and identified by the section, sub-section and number assigned.

	Can Comply	Cannot Comply
1.01	ACN	
1.02	ACN	
1.03	ACN	
1.04	ACN	
1.05	ACN	
1.06	ACN	
1.07	ACN	
1.08	ACN	
1.09	ACN	
1.10	ACN	
1.11	ACN	
1.12	ACN	
1.14	ACN	

000445

2.00 Central Control CRT Module

	Can Comply	Cannot Comply
2.01		
2.02		
2.03		
2.04		
2.05		
2.06		
2.07		
2.08		
2.09		
2.10		
2.11		
2.12		
2.13		
2.14		
2.15		
2.16		

2.17	[illegible]	
2.18	[illegible]	
2.19	[illegible]	
2.20	[illegible]	
2.21	[illegible]	
2.22	[illegible]	
2.23	[illegible]	
2.24	[illegible]	
2.25	[illegible]	
2.26	[illegible]	
2.27	[illegible]	
2.28	[illegible]	
2.29	[illegible]	
2.30	[illegible]	

3.00 Electronics/Audio

	Can Comply	Cannot Comply
3.01	[illegible]	
3.02	[illegible]	
3.03	[illegible]	
3.04	[illegible]	
3.05	[illegible]	
3.06	[illegible]	
3.07	[illegible]	
3.08	[illegible]	
3.09	[illegible]	
3.10	[illegible]	
3.11	[illegible]	
3.12	[illegible]	
3.13	[illegible]	

4.0 Tape Transport Modules

	Can Comply	Cannot Comply
4.01		
4.02		
4.03		
4.04		
4.05		
4.06		
4.07		
4.08		

* #Dictatpe" or approved equal must be used.

4.09 ______________ ______________

4.10 ______________ ______________

4.11 ______________ ______________

4.12 ______________ ______________

4.13 ______________ ______________

4.14 ______________ ______________

* #Dictatpe" or approved equal must be used.

4.15 ______________ ______________

4.16 ______________ ______________

4.17 ______________ ______________

4.18 ______________ ______________

4.19 ______________ ______________

4.20 ______________ ______________

4.21 ______________ ______________

4.22 ______________ ______________

4.23 ______________ ______________

4.24 ______________ ______________

4.25 ______________ ______________

4.26 ______________ ______________

4.27 ______________ ______________

4.28 ______________ ______________

4.29 ______________ ______________

4.30 ______________ ______________

4.31 ______________ ______________

4.32 ______________ ______________

4.33 ______________ ______________

4.34 ______________ ______________

4.35 ______________ ______________

4.36 ______________ ______________

4.37 ______________ ______________

4.38 ______________ ______________

4.39 ______________ ______________

4.40 ______________ ______________

4.41 ______________ ______________

Electrical

	Can Comply	Cannot Comply
5.01	[illegible]	
5.02	[illegible]	
5.03	[illegible]	
5.04	[illegible]	
5.05	[illegible]	
5.06	[illegible]	
5.07	[illegible]	

6.00 Physical

	Can Comply	Cannot Comply
6.02		
6.03		
6.04		
6.05		

7.00 Environmental Specifications

	Can Comply	Cannot Comply
7.01	[illegible]	
7.02	[illegible]	
7.03	[illegible]	
7.04	[illegible]	

8.0 Optional Items

	Can Comply	Cannot Comply
8.01	[illegible]	
8.02	[illegible]	
8.03	[illegible]	
8.04	[illegible]	
8.05	[illegible]	
8.06	[illegible]	
8.07	[illegible]	
8.08	[illegible]	

9.0 Portable Reproducers/Transcribers

	Can Comply	Cannot Comply
9.01	[signature]	
9.02	[signature]	
9.03	[signature]	
9.04	[signature]	
9.05	[signature]	
9.06	[signature]	
9.07	[signature]	
9.08	[signature]	
9.09	[signature]	
9.10	[signature]	
9.11	[signature]	
9.12	[signature]	
9.13	[signature]	
9.14	[signature]	

10.0 Supplies and Accessories

	Can Comply	Cannot Comply
10.01	SMW	
10.02	SMW	
10.03	SMW	
10.04	SMW	
10.05	SMW	
10.06	SMW	

* Please Note Different Numbering System!

	Can Comply	Cannot Comply
1.1	SMW	
1.2	SMW	
1.3	SMW	
1.4	SMW	
1.5	SMW	
1.6	SMW	

2.1 Down Loading (SMDR) Call Records

Can Comply	Cannot Comply
SCN	

3.0 Storage of Call Records (SMDR DATA)

Can Comply	Cannot Comply
SKH	

4.0 Archiving of Call Records (SMDR Data)

	Can Comply	Cannot Comply
4.1	[illegible]	
4.2	[illegible]	
4.3	[illegible]	
4.4	[illegible]	

5.0 Search and Retrieval of Call Records (SMDR Data)

	Can Comply	Cannot Comply
1.	[illegible]	
2.	[illegible]	
3.	[illegible]	
4.	[illegible]	
5.	[illegible]	
6.	[illegible]	
7.	[illegible]	
5.1	[illegible]	
6.0	[illegible]	
6.1	[illegible]	
6.2	[illegible]	
6.3	[illegible]	
7.0	[illegible]	
7.1	[illegible]	
7.1.1	[illegible]	

7.2		
7.2.1		
7.3		
7.3.1		
8.0		
8.1		
8.2		
8.3		
9.0		
9.1		

2

000463