ITEM NO. 18

STAFF REPORT

CITY OF OCEANSIDE

DATE: June 7, 2006

TO: Honorable Mayor and City Councilmembers

FROM: Financial Services Department

SUBJECT: **LEASE AGREEMENT FOR FOLDING/INSERTING MACHINE AND POSTAL METER**

SYNOPSIS

Staff recommends that the City Council approve a new five-year lease agreement in the amount of $122,400 with Pitney Bowes for a new folding/inserting machine and postal meter, and authorize the City Manager to execute the agreement.

BACKGROUND

The City entered into a five-year lease agreement with Pitney Bowes in March 2000 for a folding, inserting and postal machine. The contract portion of the lease expired in July 2005. Since that time the City has been on a month-to-month lease basis. The equipment is utilized to insert about 43,000 water, sewer and trash bills along with informational flyers and return envelopes every month. Additionally, delinquent utility bills, parking citation notices, ambulance bills, business license notices and accounts receivable invoices are inserted and have postage placed on them with this equipment.

The Federal regulations for postage requirements will change on January 1, 2007.

ANALYSIS

There are several advantages to replacing the current equipment. First, the lease payment on the proposed equipment will lower the monthly payment from $2,805 a month to $2,040 saving $765 monthly. Second, the proposed equipment provides more functionality by adding a folding feature, easily handling variable paper sizes, and making manual adjustments unnecessary. Third, the proposed equipment is significantly smaller and quieter. The location housing this equipment is crowded with equipment and when paper and envelope boxes are delivered to complete a day's work, safety issues become a concern. The decrease in noise level will reduce the City's liability in terms of employee exposure to long periods of high levels of noise.

In addition, the post office will implement new postal requirements in January 2007. The current postal equipment will not meet these requirements and must therefore be replaced. The two pieces of equipment - the folder/inserter and the postal machine - are connected so the two functions flow together seamlessly. The postal equipment that meets the new requirements is not compatible with our current folder/inserter machine.

Thus, the proposed change encompasses both pieces of equipment ensuring postal regulation compliance and maintaining the connection between the two functions. At the end of the lease, the City could either replace the equipment or continue renting on a month-to-month basis.

FISCAL IMPACT

The lease for the folding and inserting machine will be $1,376 monthly and the lease for the postal equipment and software will be $664 for a total of $2,040. The monthly cost for the equipment will therefore be reduced from $2,805 to $2,040, for annual savings of $9,180. Total savings over the five-year lease period would be $45,900. Funds for the lease are currently included in the Information Technology budget.

INSURANCE REQUIREMENTS

Does not apply.

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the City Council approve a new five-year lease agreement in the amount of $122,400 with Pitney Bowes for a new folding/inserting machine and postal meter, and authorize the City Manager to execute the agreement.

PREPARED BY:

Sheri Brown
Revenue & Business Activity Manager

SUBMITTED BY:

Steven R. Jepsen
City Manager

REVIEWED BY:
Michelle Skaggs-Lawrence, Assistant to the City Manager
Nita McKay, Financial Services Director

Attachments: Exhibit A, Lease agreement folder/sealer
Exhibit B, Lease agreement postal equipment and software

Pitney Bowes

Engineering the flow of communication™

Rental account number

Your Business Information

	CAN #	ORDER #	
City of Oceanside			
Full legal name of renter	DBA name of renter	Tax ID # (FEIN/TIN)	
300 N. Coast Highway	Oceanside	CA	92054
Billing address	City	State	ZIP+4
Teresa Gomez	760-435-3888		
Billing contact name	Billing contact phone #	Billing CAN #	
Same as above			
Installation address *(if different from billing address)*	City	State	ZIP+4
Same as above			
Installation contact name	Installation contact phone #	Installation CAN #	
Credit Card #	Name on card	Exp date	Type of card
Tax exempt #	State tax (if applicable)	Fiscal period (from – to)	

Your Business Needs

Quantity	Business Solution Description
1 ~ DI950/DI9J	4 Feeder Tower Hi Cap Inserting System including:
	2 - F7TS Sheet feeders, 2 - F7TI Insert feeders
	1 - DIXT Exit transport, 1 - F7MM Mail Interface
	1 - 90 inch table w/F790018 18" Extension
	All Delivery, install, and training

Check items to be included in customer's payment

- ■ **Equipment Maintenance**
  Provides service coverage including certain parts and labor
- ☐ **Software Maintenance**
  Provides revision updates and technical assistance
- ☐ **Soft-Guard® Subscription**
  Provides postal and carrier updates
  If you do not elect to include Soft-Guard® protection with your lease, you will automatically receive updates at the then-current rates.
- ☐ **IntelliLink™ Subscription/Meter Rental**
  Provides simplified billing and includes ( ) resets per year
  ( ) **Confirmation Services** Electronic access to postal confirmation services
  ( ) **Postage by Phone® PLUS** Receive an invoice for postage, consolidated billing, and enhanced management reporting information.

Your Payment Plan

Number of months	Monthly amount
60	$1,376

(X) Required advance check of $1,376 received
(xx) Tax exempt certificate attached
Initial rental term 60
Frequency Monthly

Your Acknowledgment

By your signature as "Renter" below, you request that we rent to you the equipment described above or on **any** schedule attached hereto (the "Equipment") for essential governmental purposes in consideration of your payment to us of the amounts set forth the Payment Schedule, subject to the terms and conditions provided in this Agreement. For purposes of this Agreement, all payments set forth in the Payment Schedule shall be referred to as the "Total Payments." The payments referred to in the Payme Schedule other than the "Final Payment" shall be referred to singularly as a "Period Payment" and collectively as the "Period Payments." Your offer will be binding on us when we accept it by having an authorized employee sign it. All payments hereunder sh be payable only to us at our executive offices unless we direct you otherwise in writing.

1. NON-APPROPRIATION. You warrant that you have funds available to pay the Total Payments until the **end** of your current fiscal period, and shall use your best efforts to obtain funds to pay the Total Payments in each subsequent fiscal period through t end of your Initial Term. If your appropriation request to your legislative body, or funding authority ("Governing Body") for funds to pay the Total Payments is denied, you may terminate this Agreement on the last day of the fiscal period for which funds ha been appropriated, upon (i) submission of documentation reasonably satisfactory to us evidencing the Governing Body's denial of an appropriation sufficient to continue this Agreement for the next succeeding fiscal period, and (ii) satisfaction of all charges a obligations under this Agreement incurred through the end of the fiscal period for which funds have been appropriated, including the return of the Equipment at your expense.

Signature	Date	
Print name	Title	Email address
Neil R. Winter	218	
Account rep	District office	PBCC acceptance

Exhibit A

By your signature as "Renter" below, you request that we rent to you the equipment described above or on any schedule attached hereto (the "Equipment") for essential governmental purposes in consideration of your payment to us of the amounts set forth in the Payment Schedule, subject to the terms and conditions provided in this Agreement. For purposes of this Agreement, all payments set forth in the Payment Schedule shall be referred to as the "Total Payments." The payments referred to in the Payment Schedule other than the "Final Payment" shall be referred to singularly as a "Period Payment" and collectively as the "Period Payments." Your offer will be binding on us when we accept it by having an authorized employee sign it. All payments hereunder shall be payable only to us at our executive offices unless we direct you otherwise in writing.

1. NON-APPROPRIATION. You warrant that you have funds available to pay the Total Payments until the end of your current fiscal period, and shall use your best efforts to obtain funds to pay the Total Payments in each subsequent fiscal period through the end of your Initial Term. If your appropriation request to your legislative body, or funding authority ("Governing Body") for funds to pay the Total Payments is denied, you may terminate this Agreement on the last day of the fiscal period for which funds have been appropriated, upon (i) submission of documentation reasonably satisfactory to us evidencing the Governing Body's denial of an appropriation sufficient to continue this Agreement for the next succeeding fiscal period, and (ii) satisfaction of all charges and obligations under this Agreement incurred through the end of the fiscal period for which funds have been appropriated, including the return of the Equipment at your expense.

2. TERM. This Agreement shall commence on the date of delivery of the Equipment and shall continue until the earlier of: (i) termination at our option upon the occurrence of an event of default, or (ii) the occurrence of an event of a non-appropriation under Section 1, or (iii) the expiration of the Initial Rental Term and your payment of all Total Payments and other sums due, and your fulfillment of all other obligations, under this Agreement.

3. EQUIPMENT MAINTENANCE AGREEMENT ("EMA"). If you select Equipment Maintenance, we shall provide under the EMA, maintenance and emergency repair services on the Equipment, including new (or equivalent) parts required due to normal wear, during normal business hours. We may assess additional hourly charges for service performed outside normal business hours. Service and repairs due to negligence, misuse, external forces, loss of electrical power, power fluctuation, use of supplies not meeting our specifications, or service supplied by third parties are excluded. Consumable supplies and rate program software for electronic scales are not included under the EMA.

4. SOFT-GUARD AGREEMENT. If you select SOFT-GUARD, you have subscribed to the SOFT-GUARD Rate Protection Plan with us, and we shall provide up to six (6) qualified PROM or Disk replacements (media) over a twelve month period at no additional charge. The SOFT-GUARD Agreement covers the following types of events: (i) Postal or carrier rate increases or decreases, (ii) changes in service provided by carriers (e.g. required new report formats or geographical expansions), and (iii) all Zip Code or zone changes. The following types of events are not covered by the SOFT-GUARD Agreement: (a) custom rate changes, (b) new classes of service offered by carriers, and (c) new PROMs or Disks (media) needed to establish a new home Zip code due to a change in equipment location.

5. SOFTWARE MAINTENANCE AGREEMENT ("SMA"). If you select Software Maintenance, we shall provide, under the SMA, at no additional charge, toll free telephone technical assistance relating to software programs and updated versions, i.e., fixes and minor enhancements (excluding postal or carrier rate changes) of the licensed program. If you are renting addressing products, the SMA provides Addressing Software Update subscriptions covering quarterly national and state updates to the Pitney Bowes national address directory, as well as required periodic and/or random software updates needed to comply with changes of United States Postal Service regulations or databases.

6. METER BILLING. If you select Meter on Rental, you have entered into a Postage Meter Rental Agreement. Refer to your Postage Meter Rental Agreement for its terms and conditions. Notwithstanding anything contained herein, any meter(s) will at all times remain our property.

7. AUTOMATIC PROM REPLACEMENT. If you did not select SOFT-GUARD, we shall provide without furth request from you, Automatic PROM Replacement, embodying software or rate changes. You shall receive notic when replacements become available, and may order replacement PROMS whenever there is a change in a carrier service coverage. You agree to pay the then current list price for each PROM ordered for delivery with the Equipme or supplied under the above terms, except that there shall be no charge for the replacement PROMs issued within 9 days after the equipment installation.

8. WARRANTIES. We warrant the Equipment, PROMs and Software covered by this Agreement (excludir consumable parts and supplies) to be free from defect in material, workmanship, or programming for 90 days followir installation. If, during this time, you have any problems (not resulting from accident or misuse), we will repair or, at o option, replace any such defective item. PROMs and software are programmed with rates and computation methoc which may be specific to a carrier or regulated by a government agency. If such rates or methods are changed by th carrier or the agency within these 90 days, we will update or replace affected PROMs or Software to reflect curre rates and methods. We will assume the obligations stated herein only if you operate the Equipment, PROMs ar Software in accordance with their published operating instructions and only for the ordinary purposes for which the were designed. THIS IS THE ONLY WARRANTY APPLICABLE TO THIS AGREEMENT, THE EQUIPMENT, PROM AND SOFTWARE, AND IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIEI INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE O ANY OTHER WARRANTY. REPAIR OR REPLACEMENT OF THE EQUIPMENT IS YOUR SOLE REMEDY FO BREACH OF WARRANTY. WE ASSUME NO RESPONSIBILITY FOR ANY DAMAGES INCURRED BY REASO OF THE FAILURE OF THE EQUIPMENT, PROMS OR SOFTWARE TO OPERATE AS INTENDED, INCLUDIN INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES.

9. COMPUTATION OF TOTAL PAYMENT. You shall pay each and every Period Payment for the entire Initial Rent Term, subject to the Governing Body's right not to appropriate as provided in Section 1. The amount of each Perio Payment is based on the cost of the Equipment, inclusive of all related expenses (plus, at your request, any unpai balances for amounts due and/or to become due from a previous Agreement less any product discount/allowance plus amounts due for additional services selected by you, such as EMA, Soft-Guard Agreement, SMA, and Meter O Rental). We may increase the Period Payment as a result of any imposition of, or increases in, taxes as provided i Section 12 or Section 15, or meter rental charges. You authorize Pitney Bowes Credit Corporation ("PBCC"), as ou billing and collection agent, to charge the Credit Card specified on page 1 (the "Credit Card") on the due date specifie in each invoice for the full amount of each Period Payment. Immediately after the charge, PBCC shall notify you a your Billing address specified on page 1 of each Period Payment charged against the Credit Card. You authoriz PBCC to charge the first Total Payment after the Equipment has been delivered by us, and to continue to charge th Credit Card for the entire Initial Rental Term of the Agreement, subject to the Governing Body's right not to appropriat as provided in Section 1.

10. PURCHASE ORDER USE. You may use a Purchase Order to offer to obtain use of Equipment, provide however, if a purchase order is issued, none of its terms and conditions shall supplement, amend, modify c supersede the terms and conditions of this Agreement, nor shall any of its terms be incorporated herein, and it sha not be effective except with respect to Equipment description, Equipment quantity, Initial Rental Term, Tota Payments, Equipment location, and the request for the ancillary services set forth in Sections 3 – 7.

11. INSURANCE. You are responsible for Equipment loss, damage or destruction from any cause, whether c not insured. You shall provide, maintain, and pay for: (a) insurance against Equipment loss, theft, or damage, for th full replacement value thereof, with loss payable to us, and (b) public liability and property damage insurance namin us as an additional insured. No Equipment loss, theft or damage shall relieve you of your obligation to pay the Perio Payments or any other obligation under this Agreement.

12. TAXES; NO LIENS. You shall pay or reimburse us, as we direct, for all charges and taxes incurred by u which are based on or measured by this Agreement, the billing or receiving of Total Payments, documentation relatinc

to this Agreement (including stamp taxes) and the sale, purchase, ownership, renting, value (including personal property type taxes), possession, or use of the Equipment, Meters, or software. You shall keep the Equipment, meters, and software free and clear of all liens and encumbrances. Your obligations under this Section shall commence upon Agreement execution and survive termination or cancellation of this Agreement.

13. DEFAULT. If you fail to pay when due any amount required, or fail to perform any other obligation under this Agreement, we may, at our option and without demand or notice, take one or any combination of the following actions: terminate this Agreement, take possession of the Equipment (including meters), declare the entire amount of all Total Payments, and other amounts due and to become due, for the then current fiscal period for which funds have been appropriated to be immediately due and payable, and pursue any other remedy permitted by law or in equity. You will be responsible for all related damages and legal and other costs and expenses (including reasonable attorney's fees) incurred by us in enforcing the provisions herein.

14. NOTICES. All notices under this Agreement shall be mailed, first class postage prepaid, to the recipient at its address on page one hereof, or at such other address as each party may provide in writing from time to time. Such notices shall be effective on the date they are mailed.

15. REPRESENTATIONS; MISCELLANEOUS. You represent and warrant that: (a) you are duly authorized to execute and deliver this Agreement and all procedures have been met so that this Agreement is legal, valid, binding and enforceable against you; and you shall not permit the Equipment to be used in a trade or business of any other person or entity; (b) you shall use the Equipment only in the manner specified in the manuals and instructions covering the Equipment and, at your expense, keep the Equipment in good repair, condition and working order; (c) you shall timely file an information reporting return (e.g. Form 8038 - GC or, as necessary, Form 8038 - G) with the Internal Revenue Service in accordance with Section 149(e) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder, and you hereby appoint us as your Agent for the purpose of maintaining a registration system as required by Section 149(a) of the Code; and you are (and shall continue to be) a State or local government entity, and that any obligation arising out of this Agreement constitutes an obligation by or on behalf of a state or political subdivision thereof, within the meaning of Section 103 of the Code and the regulations thereunder. You acknowledge that this Agreement is entered into based on the assumption that the interest portion of each Period Payment is not includible in gross income of the owner thereof for Federal income tax purposes under Section 103(a) of the Code. A portion of each Period Payment you shall pay includes interest. If any interest is determined not to be excludible from gross income in accordance with Section 103(a) of the Code, your Period Payment shall be adjusted in an amount sufficient to maintain our original after tax yield utilizing our consolidated marginal tax rate, which adjusted Period Payments you agree to pay as provided in this Agreement, subject to Section 1. The rate at which the interest portion of Period Payments is calculated is not intended to exceed the maximum rate or amount of interest permitted by applicable law. If such interest portion exceeds such maximum, then at our option, if permitted by law the interest portion will be reduced to the legally permitted maximum amount of interest, and any excess will be used to reduce the principal amount of your obligation or be refunded to you. This Agreement contains the entire agreement of the parties concerning the subject matter of this Agreement. All prior commitments, proposals and negotiations concerning the subject matter of this Agreement are merged into this Agreement. This Agreement may only be amended, modified, supplemented or superseded by a written agreement signed by both parties. No provision of this Agreement can be waived except by our written consent. YOU MAY NOT ASSIGN, TRANSFER, OR SUBLET ANY INTEREST IN THIS AGREEMENT OR THE EQUIPMENT WITHOUT OUR PRIOR WRITTEN CONSENT. We shall not transfer or assign this Agreement, provided however, we may have Pitney Bowes Credit Corporation service this Agreement for us.

16. SECURITY AGREEMENT; PERSONAL PROPERTY. You grant to us, as the Secured Party, a security interest in the Equipment and all additions, attachments, accessions, and substitutions thereto (excluding any meter(s) to which you do not hold title) and authorize us to file a financing statement with respect to such security interest. The Equipment shall remain personalty and not realty.

17. OPTION. You shall have the option to return the Equipment (in the same condition as when delivered to yo reasonable wear and tear excepted) to us at the end of the Initial Rental Term and in consideration □herefore, w shall credit your account in an amount equal to your Final Payment. In order to exercise this option, you must noti us prior to the due date of your Final Payment and deliver the Equipment to us on the due date of your Final Paymen

18. SURRENDER. If you default, or terminate this Agreement by non-appropriation under Section **1**, you, a your expense, shall return all Equipment by delivering it to us in the same condition as when delivered to yo reasonable wear and tear excepted, to such place or on board such carrier, packed for shipping, as we may specif Until the Equipment is returned as required above, all terms of this Agreement remain in effect including, witho limitation, your obligations to make payments relating to your continued use of the Equipment and to insure th Equipment.

19. DOCUMENTATION FEE. If you and we have agreed, a one-time documentation fee to cover the originatio sales, processing and other costs associated with this Agreement is included in your Equipment cost and made a pa of your Period Payments.

Pitney Bowes

Engineering the flow of communication™

Rental account number

Your Business Information

	CAN #	ORDER #	
City of Oceanside			
Full legal name of renter	DBA name of renter	Tax ID # (FEIN/TIN)	
300 N. Coast Highway	Oceanside	CA	92054
Billing address	City	State	ZIP+4
Teresa Gomez	760-435-3888		
Billing contact name	Billing contact phone #	Billing CAN #	
Same as above			
Installation address *(if different from billing address)*	City	State	ZIP+4
Same as above			
Installation contact name	Installation contact phone #	Installation CAN #	
Credit Card #	Name on card	Exp date	Type of card
Tax exempt #	State tax (if applicable)	Fiscal period (from – to)	

Your Business Needs

Quantity	Business Solution Description
1 ~ DM800i	Digital Mailing System including:
	WOW w/departmental Accounting
	15# Electronic Integrated Scale w/platform
	Intellilink Interface
	Console for DM800i
	Rate Case CD Pack
	All Delivery, install, and training

Check items to be included in customer's payment

- [■] **Equipment Maintenance**
  Provides service coverage including certain parts and labor
- [ ] **Software Maintenance**
  Provides revision updates and technical assistance
- [ ] **Soft-Guard® Subscription**
  Provides postal and carrier updates

  If you do not elect to include Soft-Guard® protection with your lease, you will automatically receive updates at the then-current rates.
- [■] **IntelliLink™ Subscription/Meter Rental**
  Provides simplified billing and includes All) resets per year

( ) **Confirmation Services** Electronic access to postal confirmation services

( ) **Postage by Phone® PLUS** Receive an invoice for postage, consolidated billing, and enhanced management reporting information.

Your Payment Plan

Number of months	Monthly amount
60	$664.00

(X) Required advance check of $664 received

(xx) Tax exempt certificate attached

Initial rental term 60

Frequency Monthly

Your Acknowledgment

By your signature as "Renter" below, you request that we rent to you the equipment described above or on any schedule attached hereto (the "Equipment") for essential governmental purposes in consideration of your payment to us of the amounts set forth i the Payment Schedule, subject to the terms and conditions provided in this Agreement. For purposes of this Agreement, all payments set forth in the Payment Schedule shall be referred to as the "Total Payments." The payments referred to in the Payme Schedule other than the "Final Payment" shall be referred to singularly as a "Period Payment" and collectively as the "Period Payments." Your offer will be binding on us when we accept it by having an authorized employee sign it. All payments hereunder sha be payable only to us at our executive offices unless we direct you otherwise in writing.

1. NON-APPROPRIATION. You warrant that you have funds available to pay the Total Payments until the end of your current fiscal period, and shall use your best efforts to obtain funds to pay the Total Payments in each subsequent fiscal period through th end of your Initial Term. If your appropriation request to your legislative body, or funding authority ("Governing Body") for funds to pay the Total Payments is denied, you may terminate this Agreement on the last day of the fiscal period for which funds hav been appropriated, upon (i) submission of documentation reasonably satisfactory to us evidencing the Governing Body's denial of an appropriation sufficient to continue this Agreement for the next succeeding fiscal period, and (ii) satisfaction of all charges an obligations under this Agreement incurred through the end of the fiscal period for which funds have been appropriated, including the return of the Equipment at your expense.

Signature	Date	
Print name	Title	Email address
Dennis Morton	088	
Account rep	District office	PBCC acceptance

The following sets forth the terms and conditions of your Intellilink® subscription/meter rental, value based services, sca rental, rate update programs and Pitney Bowes Bank credit programs. Your signature on page one constitutes yo acceptance of the terms herein.

Definitions. "You" shall mean the customer, "PBI", "we" or "us" shall mean Pitney Bowes Inc., "Equipment" shall mean th equipment which was selected by you and supplied by PBI as listed on page one and the "Bank" shall mean the Pitne Bowes Bank.

INTELLILINK® SUBSCRIPTION/METER RENTAL. Pursuant to United States Postal Service ("USPS") regulations, PI must own the IntelliLink® Control Center or Meter (which includes the postal security device, the user interface keyboard and display and the print engine), and you may use it solely for the purpose of processing your mail, provide that you have a valid USPS® meter license and you comply with (i) these provisions and (ii) all applicable USF regulations. Your rights of use shall be the term set forth on page one ("Initial Term"), and you will be billed th subscription or rental fees set forth on page one. The use provided for herein may be cancelled by either party upon 3 days prior written notice after the Initial Term. After termination, you must return the IntelliLink® Control Center or Meter PBI in the same condition as you received it, reasonable wear and tear excepted. Your subscription and/or rental fees w not be increased during the Initial Term. After the Initial Term, PBI may increase the subscription and/or rental fees upc 30 days' prior written notice. When you receive notice of an increase, you may terminate this use as of the date th increase becomes effective. Your IntelliLink® Control Center and/or Meter may require periodic rate information update that you can obtain under our Soft-Guard® program or you will receive individual rate updates as a separate charge. PI reserves the right to recover or disable the IntelliLink® Control Center or Meter and/or terminate this use at any time an for any reason. Tampering with or misusing the IntelliLink® Control Center or Meter is a violation of federal law. You mu use only attachments or printing devices authorized by PBI and only supplies meeting PBI's specifications. Consumabl supplies and postage are your responsibility. The collection of information from meter licensees is authorized by law. It w be used to administer postage meter activities. As a routine use, certain information may be disclosed to the public, t USPS, to an appropriate law enforcement agency or court for investigative or prosecutive purposes, to a congressiona office at your request, to a labor organization as required by the NLRA, and where pertinent, in a legal proceeding t which the USPS is a part. From time to time, we may access or download information remotely from your mailing syste equipment powered by Intellilink® technology to provide us with information about your postage usage amounts an patterns. Such information enables us to provide you with the best customer support and information about othe products and services that may be of use to you, and some of the access and/or information may be necessary in order t conduct an inspection as required by USPS regulations. Any individually identifiable information that we obtain about yo in this manner will not be shared by us with any third parties. From time to time, we may elect in our sole discretion t share aggregate data about our customers' postage uses with third parties. Please contact us if you have any question about these data collection and/or sharing practices. You will notify PBI prior to moving the IntelliLink® Control Center c Meter to a different location. In order to obtain postage, you must contact PBI's POSTAGE BY PHONE® data cente Postage refill fees if any will not increase during the Initial Term but thereafter refill fees may be increased upon 30 day prior written notice. If you participate in any PBI, PBCC and/or Bank postage advance programs, payment will b advanced on your behalf to USPS, subject to repayment by you under the terms and conditions of the applicable postag advance program and billed separately from your meter rental or subscription charges. Refunds of unused postage, if any will be made by USPS in accordance with then current USPS regulations.

VALUE BASED SERVICES. 1. Fees. If you have elected to include any value based services described on page one as part of your IntelliLink® subscription, the fees ("Fees") for these services will be included in your IntelliLink® subscription charges. Your Fees will not be increased during the Initial Term. After the end of the Initial Term, we may increase the Fees, but we will give you thirty (30) days' prior written notice. When you receive this notice of an increase, you may terminate these services as of the date the increase becomes effective. If at any time you request a change to your IntelliLink® subscription, the Fees will be adjusted. 2. Limited Warranty. We warrant that, for a period of ninety (90) days from the date of delivery, the value based services will perform substantially in accordance with their specifications under normal use. This warranty is void if the failure to perform is due to negligence or

accident, virus contamination or loss of data, misuse or abuse, external forces, loss of power, power fluctuation, operator error, casualty (such as fire, flood, or other natural causes), sabotage, repair or attempted repair by anyone other than PBI or the use of supplies not meeting PBI specifications. We are only responsible for maintenance of the Equipment. EXCEPT AS HEREIN SPECIFICALLY PROVIDED, THE VALUE BASED SERVICES ARE PROVIDED WITHOUT ANY FURTHER WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. Some states do not allow the disclaimer of implied warranties. Therefore, the above disclaimer may not apply to you. 3. LIMITED LIABILITY. WE WILL NOT BE LIABLE FOR ANY DAMAGES YOU MAY INCUR BY REASON OF YOUR USE OF THE SERVICES, INCLUDING INCIDENTAL CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES, EVEN IF WE HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. 4. Termination. We shall have the right to terminate the services if you breach your obligations hereunder and fail to cure such breach within thirty (30) days after you have been notified in writing of such breach. 5. USPS® Provided Services. If one or more of the value based services you selected is provided by the USPS, then the description of those services and the applicable terms for usage can be found in the USPS® Domestic Mail Manual as it may be amended from time to time by the USPS. Any fees charged by the USPS for any special service you purchase will be payable by you in the same way that you pay for postage. The USPS is solely responsible for acceptance and processing of customer requests for value based services. We are not responsible for the results of any malfunctions of any part of the communication link (i.e., telephone lines connecting the IntelliLink® Control Center with the USPS data system). If USPS discontinues a service you have selected, we will discontinue such service automatically.

SCALE RENTAL AND RATE CHANGES. You agree to pay us in advance for your use of the scale. We agree that th rental amount will not increase during the Initial Term. At any time after the Initial Term, we may increase it upon 30 days prior written notice. Your scale will require periodic rate information updates that you can obtain with an annua subscription to our Soft-Guard® program or you can choose to purchase individual rate updates as a separate charge USAGE. If you fail to pay fees when due or otherwise fail to comply with the terms of this Agreement, we may terminate this Agreement, retake possession of the scale and collect from you all fees then due, plus interest at maximum lawfu rate and attorneys' fees. Invoicing constitutes our acceptance of this Agreement. IN THE UNLIKELY EVENT THE SCALE MALFUNCTIONS, WE WILL REPAIR OR REPLACE IT WITHIN A REASONABLE TIME DURING OUR NORMAL BUSINESS HOURS. REPAIR OR REPLACEMENT IS YOUR SOLE REMEDY, NEITHER YOU NOR WE ARE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES. You will take proper care of the scale. You assume all risk of loss or damage to the scale while you have possession. Upon termination, you will deliver the scale to us in good condition except for normal wear.

SOFT-GUARD® SUBSCRIPTION/RATE UPDATES. If your rental or subscription includes a Soft-Guard® subscription, we will provide up to 6 Rate Updates during each 12 month period following the date of installation of the applicable Equipment. (The Soft-Guard® subscription is included with all DM Series™ mailing systems with Intellilink® technology.)

We will provide each Rate Update only if required due to a postal or carrier change in rate, service, Zip Code or zone change. Your Soft-Guard® subscription does not cover any change in rates due to custom rate changes, new classes of carrier service or a change in Zip Code or zone due to Equipment relocation. If your order does not include a Soft-Guard® subscription or if you have received the maximum number of Rate Updates under your Soft-Guard® subscription, we will supply automatically Rate Updates at the then-current list price. There will be no charge for Rate Updates supplied within 90 days after the applicable Equipment is first installed. If you do not accept a Rate Update you must contact us within 30 days of your receipt of the Rate Update.

UNITED STATES POSTAL SERVICE ACKNOWLEDGE OF DEPOSIT. 1. The licensee ("Customer") electing to use computerized resetting system ("CMRS") equipment hereby acknowledges that it must transfer funds to the USPS through a lockbox bank ("Lockbox Bank") for the purpose of prepayment of postage on CMRS-enabled equipment ("Deposit"). 2. On or after the effective date of the Customer's participation in the CMRS service pursuant to an agreement ("CMRS Agreement") between the Customer and a Manufacturer authorized by the Postal Service to provide CMRS-enabled equipment, the Customer may, from time to time, make Deposits in the lockbox bank account identified as

follows: "United States Postal Service CMRS-PB." The USPS may, at its discretion, designate itself or a successor a recipient of Deposits by the Customer. 3. Any Deposit made by the Customer shall be credited by the USPS only for th payment of postage through CMRS-enabled equipment. Such Deposits will be held within the Postal Service Fund at th U.S. Treasury and may be commingled with Deposits of other Customers. The Customer shall not receive or be entitled any interest or other income earned on such Deposits. 4. The USPS will provide a refund to the Customer for remainir postage balances. The Lockbox Bank will provide a refund to the Customer for Deposits otherwise held by the USP These refunds are provided in accordance with the rules and regulations governing deposit of funds for CMRS, publishe in the Domestic Mail Manual Transition Book or its successor. 5. The Lockbox Bank, which shall collect funds on behalf the USPS, shall provide the Manufacturer with whom the Customer has a valid CMRS Agreement, on each business da information as to the amount of each Deposit made to the USPS by the Customer, so the Manufacturer can update i records. 6. The Manufacturer may deposit funds on behalf of the Customer. The USPS will make no advances. Ar relationship concerning advances is between the Customer and the Manufacturer. 7. The Customer acknowledges th the terms of this acknowledgement may be changed, modified, or revoked by the USPS, with appropriate notice. USPS regulations governing the deposit of funds for CMRS are published in the Domestic Mail Manual Transition Book its successor. The Customer acknowledges that it shall be subject to all applicable rules, regulations, and orders of th USPS, including future changes to such rules, regulation and orders, and such additional terms and conditions as may b determined in accordance with applicable law. The USPS rules, regulations, and orders shall prevail in the event of ar conflict with any other terms and conditions applicable to any deposit. 9. By engaging in any transaction through th Lockbox Bank, which will have the effect of setting postage through CMRS-enabled equipment, the Customer's activitie concerning CMRS are subject to this USPS Acknowledgment of Deposit.

POSTAGE BY PHONE® PLUS / PURCHASE POWER ® CREDIT LINE. The following is an offering of the Bank. 1. How the Postage By Phone® PLUS / Purchase Power® Credit Line Works. (a) You may participate in Pitney Bowes' Postage By Phone® PLUS or Purchase Power® programs, by providing the requisite information contemplated by section 8 below and thereafter ordering meter resets, office supplies, or other services, including carrier billing (a service to effectuate shipping transactions) through the Postage By Phone® PLUS or Purchase Power® program, whichever is applicable (the "Program"). When you or an employee or agent of yours with express, implied, or apparent authority to do so (an "Authorized User"), places such an order under the Program "on line" by telephone or otherwise, your Postage By Phone® PLUS Account or Purchase Power® Account, whichever is applicable (the "Account"), will be charged for the amount of postage, products, and services requested and the related fees, if applicable. (b) The Postage By Phone® PLUS and Purchase Power® credit lines are products of the Bank and are nc available to individuals for personal, family, or household purposes. You will receive a billing statement for each billing cycle for which you have any activity on the Account. You must pay the Account balance under the terms provided herein. Payments are due by the due date shown on your billing statement. You may pay the entire balance due or a portion of the balance, provided that you pay at least the minimum payment shown on the statement. In the event of a partial payment, you will be responsible for the unpaid balance of the Account under the terms herein. 2. Deferred Payment Terms. By using the Program, you agree that whenever there is an unpaid balance outstanding on the Account which is not paid in full by the due date shown on your billing statement, the Bank will charge you, and you will pay, interest on the unpaid balance of the Account from time to time, for each day from the date the transaction is posted to the Account until the date the unpaid balance is paid in full, at the monthly Periodic Rate of 1.665% (corresponding ANNUAL PERCENTAGE RATE 19.98%). The Account balance that is subject to a finance charge each day will include (i) outstanding balances, minus any payments and credits received by the Bank on the Account that day, and (ii) unpaid interest, fees, and other charges on the Account. The Bank will charge a minimum finance charge of $1.00 in any billing cycle if the finance charge as calculated above is less than $1.00. Each payment that you make will be applied to reduce the outstanding balance of the Account and replenish your available credit line. The Bank may refuse to extend further credit if the amount of a requested charge plus your existing balance exceeds your credit line. 3. Account Charges. Unless prohibited by applicable law, you agree to pay such fees and charges of which the Bank has given you notice, as the same may be in effect from time to time, including, without limitation, the fees and charges relating to: (a) transaction fees, if applicable; (b) your failure to pay in a timely manner; (c) your exceeding your credit line; and (d) fees attributable to the return of any checks that you give to the Bank as payment of the Account. 4. Account Cancellation and Suspension. The Bank may at any time close or suspend the Account, and may refuse to allow further charges to the Account. No cancellation or suspension will affect your obligation to pa

any amounts you owe. 5. Enforcement. If you fail to observe the provisions hereof, the Bank may declare the entire Account balance due and payable. If the Bank is required to take collection action or any other legal action related to your Account, you will be responsible for all court and collection costs and reasonable attorney's fees. 6. Amendments; Termination. The Bank can amend any of the provisions and terms related to the Program at any time by written notice to you. Each time you use the Program, you are signifying your acceptance of the terms and provisions as then in effect. Any amendment will become effective on the date stated in the notice and will apply to any outstanding balance on the Account. The Bank may terminate the Program at any time. The Bank will notify you i the event of any termination. Any outstanding obligation will survive termination of the Program. 7. Miscellaneous. The Bank may accept late payments, partial payments or checks and money orders marked "payment in full" without compromising any rights. The Program and advances thereunder shall be governed by and construed in accordance with the laws of the State of Utah and applicable federal law. 8. USA PATRIOT ACT. To help the government fight the funding of terrorism and money laundering activities, Federal law requires financial institutions to obtain, verify and record information that identifies each person who opens an account. Accordingly, the Bank asks that you provide identifying information, including your address and taxpayer identification number. The Bank may also ask for additional identifying information, where appropriate, including asking that your representative who is opening the Account provide his/her name, address, date of birth, driver's license and/or such other documents and information that will allow the Bank to identify him/her.