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IMAGISTICS INTERNATIONAL INC

Form 10-Q

August 05, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2005

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 1-16449

IMAGISTICS INTERNATIONAL INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

06-1611068
(I.R.S. Employer
Identification No.)

100 OAKVIEW DRIVE
TRUMBULL, CONNECTICUT
(Address of Principal Executive Offices)

06611
(Zip Code)

(203) 365-7000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of Imagistics Common Stock, par value \$0.01 per share,
outstanding as of July 31, 2005: 15,461,760

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IMAGISTICS INTERNATIONAL INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

IMAGISTICS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF INCOME
 (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
 (UNAUDITED)

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,
	2005	2004	2005
Revenue:			
Sales	\$ 76,299	\$ 75,190	\$ 149,159
Rentals	46,236	54,179	93,821
Support services	23,147	22,158	44,823
Total revenue	145,682	151,527	287,803
Cost of sales	42,476	42,416	84,784
Cost of rentals	14,645	15,333	28,876
Selling, service and administrative expenses	75,882	83,110	157,741
Operating income	12,679	10,668	16,402

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Interest expense	1,143	876	2,271
	-----	-----	-----
Income before income taxes	11,536	9,792	14,131
Provision for income taxes	4,834	4,153	5,921
	-----	-----	-----
Net income	\$ 6,702	\$ 5,639	\$ 8,210
	=====	=====	=====
Earnings per share:			
Basic	\$ 0.42	\$ 0.35	\$ 0.51
	=====	=====	=====
Diluted	\$ 0.41	\$ 0.33	\$ 0.50
	=====	=====	=====
Shares used in computing earnings per share:			
Basic	16,047,780	16,248,921	16,038,290
	=====	=====	=====
Diluted	16,397,975	16,951,223	16,419,170
	=====	=====	=====

Prior period restated to include the impact of share-based compensation expense (see Note 2 for details).

See Notes to Consolidated Financial Statements

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IMAGISTICS INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	JUNE 30, 2005

Assets	
Current assets:	
Cash	\$ 11,419
Accounts receivable, net of allowances of \$10,703 and \$14,991 at June 30, 2005 and December 31, 2004, respectively	99,340
Accrued billings, net	28,426
Inventories	82,730
Current deferred taxes on income	23,285
Other current assets and prepaid expenses	5,356

Total current assets	250,556
Property, plant and equipment, net	58,487
Rental equipment, net	59,048
Goodwill	70,155
Other assets	3,701

Total assets	\$ 441,947
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

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Current liabilities:	
Current portion of long-term debt	\$ 545
Accounts payable and accrued liabilities	57,562
Advance billings	13,892

Total current liabilities	71,999
Long-term debt	80,586
Deferred taxes on income	14,328
Other liabilities	1,069

Total liabilities	167,982
Commitments and contingencies (see Note 9)	
Stockholders' equity:	
Preferred stock (\$1.00 par value; 10,000,000 shares authorized, none issued)	--
Common stock (\$0.01 par value; 150,000,000 shares authorized, 20,210,421 and 20,008,325 issued at June 30, 2005 and December 31, 2004, respectively)	202
Additional paid-in-capital	320,367
Retained earnings	58,265
Treasury stock, at cost (4,477,779 and 3,703,065 shares at June 30, 2005 and December 31, 2004, respectively)	(107,417)
Accumulated other comprehensive income	2,548

Total stockholders' equity	273,965

Total liabilities and stockholders' equity	\$ 441,947
	=====

Prior period restated to include the impact of share-based compensation expense (see Note 2 for details).

See Notes to Consolidated Financial Statements

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IMAGISTICS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

	FOR THE SIX MONTHS ENDED JUNE 30,	
	2005	2004
	-----	-----
Cash flows from operating activities:		
Net income	\$ 8,210	\$ 10,823
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	29,874	32,794
Provision for bad debt	4,052	6,385
Provision for inventory obsolescence	1,246	2,513
Share-based compensation expense	2,439	2,678
Excess tax benefits from stock-based compensation	(636)	(741)
Deferred taxes on income	681	(3,332)
Non-cash restructuring impairment charges	476	--

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Change in assets and liabilities, net of acquisitions:		
Accounts receivable	3,640	(17,331)
Accrued billings	606	(3,798)
Inventories	12,498	3,504
Other current assets and prepaid expenses	1,197	(52)
Accounts payable and accrued liabilities	(25,712)	(6,424)
Advance billings	(1,100)	(2,217)
Other, net	(1,905)	53
	-----	-----
Net cash provided by operating activities	35,566	24,855
Cash flows from investing activities:		
Expenditures for rental equipment assets	(20,242)	(21,334)
Expenditures for property, plant and equipment	(3,083)	(6,673)
Acquisitions, net of cash acquired	(4,421)	(9,737)
	-----	-----
Net cash used in investing activities	(27,746)	(37,744)
Cash flows from financing activities:		
Exercises of stock options, including sales under employee stock purchase plan	2,813	2,359
Excess tax benefits from share-based compensation	636	741
Purchases of treasury stock	(22,326)	(12,277)
Repayments under term loan	(273)	(273)
Net borrowings under revolving credit facility	10,500	10,000
	-----	-----
Net cash (used in) provided by financing activities	(8,650)	550
	-----	-----
Effect of exchange rates on cash	(551)	97
Decrease in cash	(1,381)	(12,242)
Cash at beginning of period	12,800	22,938
	-----	-----
Cash at end of period	\$ 11,419	\$ 10,696
	=====	=====

Prior period restated to include the impact of share-based compensation expense (see Note 2 for details).

See Notes to Consolidated Financial Statements

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IMAGISTICS INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND AS OTHERWISE INDICATED)
(UNAUDITED)

1. DESCRIPTION OF THE BUSINESS

Imagistics International Inc. (the "Company" or "Imagistics") is an independent direct sales, service and marketing organization offering business document imaging and management solutions, including copiers, multifunctional products, often referred to as MFPs, and facsimile machines, in the United States, the United Kingdom and parts of Canada. The Company's primary customers include large corporate and government entities and mid-size and regional businesses. MFPs offer the multiple functionality of printing, copying, scanning and faxing in a single unit. In addition, the Company offers a range of document imaging options including digital, color and/or networked products and systems.

On December 11, 2000, the board of directors of Pitney Bowes Inc. ("Pitney Bowes") approved the spin-off of substantially all of the U.S. and U.K.

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operations of its office systems businesses to its common stockholders as an independent, publicly traded company. On December 3, 2001, Imagistics was spun off from Pitney Bowes pursuant to a contribution by Pitney Bowes of substantially all of Pitney Bowes' United States office systems businesses to the Company and a distribution of the stock of the Company to common stockholders of Pitney Bowes based on a distribution ratio of 1 share of Imagistics common stock for every 12.5 shares of Pitney Bowes common stock held at the close of business on November 19, 2001 (the "Distribution").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission (the "SEC") and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the management of the Company, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of results of operations, financial position and cash flows as of and for the periods presented have been included.

Certain previously reported amounts have been reclassified to conform to the current year presentation.

The Company believes that the disclosures contained in the unaudited interim consolidated financial statements are adequate to keep the information presented from being misleading. The results for the three and six months ended June 30, 2005 are not necessarily indicative of the results for the full year. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 filed with the SEC on March 10, 2005.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue recognition

Revenue on equipment and supplies sales is recognized when contractual obligations have been satisfied, title and risk of loss have been transferred to the customer and collection of the resulting receivable is reasonably assured. For copier/MFP equipment, the satisfaction of contractual obligations and the passing of title and risk of loss to the customer occur upon the installation of the equipment at the customer location. For facsimile equipment and facsimile supplies, the satisfaction of contractual obligations and the passing of title and risk of loss to the customer occur upon the delivery of the facsimile equipment and the facsimile supplies to the customer location. The Company records a provision for estimated sales returns and other allowances based upon historical experience.

Rental contracts, which often include supplies, are generally for an initial term of three years with automatic renewals unless the Company receives prior notice of cancellation. Under the terms of rental contracts, the Company bills its customers a flat periodic charge and/or a usage-based fee. Revenues related to these contracts are recognized each month as earned, either using the

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straight-line method or based upon usage, as applicable. The Company records a provision for estimated usage adjustments on rental contracts based upon historical experience.

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IMAGISTICS INTERNATIONAL INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Support services contracts, which often include supplies, are generally for an initial term of one year with automatic renewals unless the Company receives prior notice of cancellation. Under the terms of support services contracts, the Company bills its customers either a flat periodic charge and/or a usage-based fee. Revenues related to these contracts are recognized each month as earned, either using the straight-line method or based upon usage, as applicable. The Company records a provision for estimated usage adjustments on service contracts based upon historical experience.

Certain rental and support services contracts provide for invoicing in advance, generally quarterly. Revenue on contracts billed in advance is deferred and recognized as earned revenue over the billed period. Certain rental and support services contracts provide for invoicing in arrears, generally quarterly. Revenue on contracts billed in arrears is accrued and recognized in the period in which it is earned.

The Company enters into arrangements that include multiple deliverables, which typically consist of the sale of equipment with a support services contract. The Company accounts for each element within an arrangement with multiple deliverables as separate units of accounting. Revenue is allocated to each unit of accounting based on the residual method, which requires the allocation of the revenue based on the fair value of the undelivered items. Fair value of support services is primarily determined by reference to renewal pricing of support services contracts when sold on a stand-alone basis.

Accounts receivable

Accounts receivable are stated at net realizable value by recording allowances for those accounts receivable amounts that the Company believes are uncollectible. The Company's estimate of losses is based on prior product returns and invoice adjustment experience as well as prior collection experience and includes evaluating the credit worthiness of the Company's customers, analyzing historical bad debt write-offs and reviewing the aging of the receivables. The Company's allowance for doubtful accounts includes amounts for specific accounts that it believes are uncollectible, as well as amounts that have been computed by applying certain percentages based on historic loss trends, to certain accounts receivable aging categories and estimated amounts relating to delinquencies associated with the changes in the Company's billing policies and invoice format resulting from the implementation of the Company's enterprise resource planning ("ERP") system.

Inventory valuation

Inventories are valued at the lower of cost or market. Provisions, when required, are made to reduce excess and obsolete inventories to their estimated net realizable values. Inventory provisions are calculated using management's best estimates of inventory value based on the age of the inventory, quantities on hand compared with historical and projected usage and current and anticipated demands.

Rental equipment

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Rental equipment is comprised of equipment on rent to customers and is depreciated on the straight-line method over the estimated useful life of the equipment. Copier/MFP equipment is depreciated over three years and facsimile equipment placed in service prior to October 1, 2003 is depreciated over five years. Facsimile equipment placed in service on or after October 1, 2003 is depreciated over three years.

Share-based employee compensation

The Company adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment" on January 1, 2005. SFAS No. 123(R) establishes the accounting for share-based compensation and requires companies to measure and recognize compensation expense for all share-based payments at fair value. Accordingly, share-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. The Company elected to adopt the modified retrospective application method as provided by SFAS No. 123(R) and financial statement amounts for all prior years for which SFAS No. 123, "Accounting for Share-Based Compensation" was effective have been restated to give effect to the fair value-based method of accounting under SFAS No. 123(R).

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IMAGISTICS INTERNATIONAL INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Prior to the adoption of SFAS No. 123(R), the Company accounted for its share-based employee compensation plans under the recognition and measurement provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and related interpretations.

Share-based compensation expense was \$0.6 million and \$2.4 million for the three and six months ended June 30, 2005 and \$1.2 million and \$2.7 million for the three and six months ended June 30, 2004, respectively. As of June 30, 2005, approximately \$3.7 million of total unrecognized compensation costs related to non-vested shares is expected to be recognized over a weighted average period of approximately three years. These costs will be recognized over a three-year period for employees that are not retirement eligible and over a shorter period for those that are or become retirement eligible within the three-year vesting period.

For the three months ended June 30, 2004, the adoption of SFAS No. 123(R) resulted in a reduction in income before income taxes of \$0.8 million, a reduction in net income of \$0.5 million and a reduction in basic and diluted earnings per share of \$0.03. For the six months ended June 30, 2004, the adoption of SFAS No. 123(R) resulted in a reduction in income before income taxes of \$1.8 million, a reduction in net income of \$1.0 million and a reduction in basic and diluted earnings per share of \$0.07.

The following table details the retrospective application method impact of SFAS No. 123(R) on previously reported results:

	AS ADOPTION OF SFAS NO. 123(R)	AS PREVIOUSLY REPORTED
	-----	-----

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FOR THE THREE MONTHS ENDED JUNE 30, 2004:

Operating income	\$ 10,668	\$ 11,481
Income before income taxes	\$ 9,792	\$ 10,605
Provision for income taxes	\$ 4,153	\$ 4,497
Net income	\$ 5,639	\$ 6,108

Earnings per share:

Basic	\$ 0.35	\$ 0.38
Diluted	\$ 0.33	\$ 0.36

FOR THE SIX MONTHS ENDED JUNE 30, 2004:

Operating income	\$ 20,699	\$ 22,500
Income before income taxes	\$ 18,888	\$ 20,689
Provision for income taxes	\$ 8,065	\$ 8,834
Net income	\$ 10,823	\$ 11,855

Earnings per share:

Basic	\$ 0.66	\$ 0.73
Diluted	\$ 0.63	\$ 0.70

Net cash provided by operating activities	\$ 24,855	\$ 25,693
Net cash provided by (used in) financing activities	\$ 550	\$ (191)

FOR THE YEAR ENDED DECEMBER 31, 2004:

Deferred taxes on income	\$ 15,188	\$ 21,442
Total liabilities	\$ 184,239	\$ 190,493
Additional paid-in-capital	\$ 315,724	\$ 299,601
Retained earnings	\$ 50,055	\$ 59,924
Total stockholders' equity	\$ 283,297	\$ 277,043
Total liabilities and stockholders' equity	\$ 467,536	\$ 467,536

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IMAGISTICS INTERNATIONAL INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The Company evaluated its valuation method and assumptions in connection with SFAS No. 123(R). The Company determined that the use of a Black-Scholes valuation method was appropriate, which is consistent with the Company's pro forma disclosures under the fair value recognition provisions of SFAS No. 123. The Company believes it has used appropriate assumptions in accordance with SFAS No. 123(R) to estimate the fair value of its stock options and its employee stock purchase plan in the second quarter of 2005.

Prior to the adoption of SFAS No. 123(R) on January 1, 2005, the Company accounted for share-based compensation expense under the recognition and measurement provisions of APB No. 25, "Accounting for Stock Issued to Employees" and followed the accepted practice of recognizing share-based compensation expense over the explicit vesting period. SFAS No. 123(R) requires the immediate recognition at the grant date of the full share-based compensation expense for grants to retirement eligible employees, as the explicit vesting period is non-substantive. If the Company applied the non-substantive vesting condition to prior periods, for the three months ended June 30, 2004, compensation expense would have amounted to \$1.0 million compared with \$1.2 million under the recognition and measurement provisions of APB No. 25 and for the six months

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ended June 30, 2004, compensation expense would have amounted to \$2.0 million compared with \$2.7 million under the recognition and measurement provisions of APB No. 25.

The following table illustrates the effect on net income and earnings per share if the Company had applied the non-substantive vesting condition requirements of SFAS No. 123(R) for the three and six months ended June 30, 2004:

	FOR THE THREE MONTHS ENDED JUNE 30, 2004 -----
Net income, as reported	\$ 6,108
Add: Stock-based compensation expense included in net income, net of related tax effects	247
Deduct: Total stock-based compensation expense based on the non-substantive vesting condition, net of related tax effects	(577)

Pro forma net income	\$ 5,778 =====
Basic earnings per share:	
As reported	\$ 0.38
Pro forma	\$ 0.36
Diluted earnings per share:	
As reported	\$ 0.36
Pro forma	\$ 0.35

The following table summarizes the Company's stock options outstanding and exercisable as of June 30, 2005:

EXERCISE PRICE	OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
	SHARES	WEIGHTED AVERAGE CONTRACTUAL TERM	WEIGHTED AVERAGE EXERCISE PRICE	AGGREGATE INTRINSIC VALUE	SHARES	WEIGHTED AVERAGE CONTRACTUAL TERM
\$ 6.89 - \$13.46	88,014	4	\$ 9.93	\$ 1,834,407	88,014	6
\$13.85 - \$18.91	868,309	7	\$ 14.09	14,479,414	864,159	6
\$19.48 - \$28.81	242,461	8	\$ 20.70	2,441,352	125,803	8
\$32.25 - \$46.13	269,861	7	\$ 33.37	(701,954)	10,214	9
	-----			-----	-----	
	1,468,645	7	\$ 18.48	\$18,053,219	1,088,190	7
	=====			=====	=====	

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3. SUPPLEMENTAL INFORMATION

Inventories

Inventories consisted of the following at June 30, 2005 and December 31, 2004:

	JUNE 30, 2005	DECEMBER 31, 2004
	-----	-----
Finished products	\$ 44,115	\$ 52,960
Supplies and service parts	38,615	41,787
	-----	-----
Total inventories	\$ 82,730	\$ 94,747
	=====	=====

Fixed assets and rental equipment assets

Fixed assets and rental equipment assets consisted of the following at June 30, 2005 and December 31, 2004:

	JUNE 30, 2005	DECEMBER 31, 2004
	-----	-----
Land	\$ 1,356	\$ 1,356
Buildings and leasehold improvements	12,204	12,282
Machinery and equipment	27,686	26,679
Computers and software	63,245	61,007
	-----	-----
Property, plant and equipment, gross	104,491	101,324
Accumulated depreciation	(46,004)	(40,998)
	-----	-----
Property, plant and equipment, net	\$ 58,487	\$ 60,326
	=====	=====
Rental equipment, gross	\$ 292,058	\$ 304,005
Accumulated depreciation	(233,010)	(241,181)
	-----	-----
Rental equipment, net	\$ 59,048	\$ 62,824
	=====	=====

Depreciation and amortization expense was \$14.8 million and \$29.9 million for the three and six months ended June 30, 2005 and \$16.2 million and \$32.8 million for the three and six months ended June 30, 2004, respectively. Unamortized software costs totaled \$33.1 million as of June 30, 2005 and \$33.5 million as of December 31, 2004. Amortization expense on account of capitalized software totaled \$1.0 million and \$2.0 million for each of the three and six months ended June 30, 2005 and 2004, respectively.

Current liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2005 and December 31, 2004:

	JUNE 30, 2005	DECEMBER 31, 2004
	-----	-----
Accounts payable	\$ 21,456	\$ 42,118
Income taxes payable	6,351	3,682
Group medical insurance payable	4,007	4,844
Accrued compensation and benefits	4,085	8,756
Other non-income taxes payable	5,996	5,796

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Other accrued liabilities	15,667	15,144
	-----	-----
Accounts payable and accrued liabilities	\$ 57,562	\$ 80,340
	=====	=====

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IMAGISTICS INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Comprehensive income

Comprehensive income consisted of the following for the three and six months ended June 30, 2005 and 2004:

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Net income	\$ 6,702	\$ 5,639	\$ 8,210	\$ 10,823
Translation adjustment	(154)	(278)	(1,024)	80
Comprehensive income	\$ 6,548	\$ 5,361	\$ 7,186	\$ 10,903

Treasury stock

The following table summarizes the Company's treasury stock transactions.

	TREASURY STOCK	
	SHARES	COST
Balance at December 31, 2004	3,703,065	\$ 85,620
Purchases under stock buy back program	796,784	22,326
Sales to employees under employee stock purchase plan	(22,070)	(529)
Balance at June 30, 2005	4,477,779	\$ 107,417

Cash flow information

Cash paid for income taxes was \$2.0 million and \$9.1 million for the six months ended June 30, 2005 and 2004, respectively. Cash paid for interest was \$1.2 million and \$1.3 million for the six months ended June 30, 2005 and 2004, respectively.

4. BUSINESS SEGMENT INFORMATION

The Company operates in two reportable segments based on geographic area: North America and the United Kingdom. Revenues are attributed to geographic

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regions based on where the revenues are derived.

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Revenues:				
North America	\$ 140,270	\$ 146,127	\$ 276,796	\$ 276,796
United Kingdom	5,412	5,400	11,007	11,007
Total revenues	\$ 145,682	\$ 151,527	\$ 287,803	\$ 287,803
Income before income taxes:				
North America	\$ 10,988	\$ 8,913	\$ 12,963	\$ 12,963
United Kingdom	548	879	1,168	1,168
Total income before income taxes	\$ 11,536	\$ 9,792	\$ 14,131	\$ 14,131

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IMAGISTICS INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Revenues from Pitney Bowes, substantially all of which are generated in the North America segment, consisted of the following for the three and six months ended June 30, 2005 and 2004:

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Revenues from Pitney Bowes:				
Pitney Bowes of Canada	\$ 1,200	\$ 1,604	\$ 3,285	\$ 3,285
Other subsidiaries of Pitney Bowes	4,495	5,595	7,821	7,821
Sub-total	5,695	7,199	11,106	11,106
Pitney Bowes Credit Corporation	23,561	24,862	44,683	44,683
Total	\$ 29,256	\$ 32,061	\$ 55,789	\$ 55,789

For the periods presented, Pitney Bowes Credit Corporation ("PBCC") was the Company's primary lease vendor. Although the Company expects PBCC to continue to be one of its principle lease vendors, the Company has established business relationships with other lease vendors on substantially similar terms. The Company believes that Pitney Bowes of Canada and other subsidiaries of Pitney Bowes have established relationships with other equipment vendors and the Company expects that its revenue from Pitney Bowes of Canada and other

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subsidiaries of Pitney Bowes will continue to decline. No other single customer or controlled group represented 10% or more of the Company's revenues.

The following tables show identifiable long-lived assets and total assets for each reportable segment at June 30, 2005 and December 31, 2004.

	JUNE 30, 2005	DECEMBER 31, 2004
	-----	-----
Identifiable long-lived assets:		
North America	\$ 186,071	\$ 190,926
United Kingdom	5,320	2,974
	-----	-----
Total identifiable long-lived assets	\$ 191,391	\$ 193,900
	=====	=====
 Total assets:		
North America	\$ 421,587	\$ 450,898
United Kingdom	20,360	16,638
	-----	-----
Total assets	\$ 441,947	\$ 467,536
	=====	=====

Identifiable long-lived assets in North America included goodwill of \$68.0 million and in the United Kingdom included goodwill of \$2.2 million at June 30, 2005. Identifiable long-lived assets in North America included goodwill of \$66.3 million at December 31, 2004.

Concentrations

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers and relatively small account balances within the majority of the Company's customer base and their dispersion across different businesses. The Company periodically evaluates the financial strength of its customers and believes that its credit risk exposure is limited.

Most of the Company's product purchases are from overseas vendors, the majority of which are from a limited number of Japanese suppliers who operate manufacturing facilities in Asia. Although the Company currently sources products from a number of manufacturers throughout the world, a significant portion of new copier/MFP equipment is currently obtained from four Japanese suppliers. If these suppliers were unable to deliver products for a significant period of time, the Company would be required to find replacement products from an alternative supplier or suppliers, which may not be available on a timely or cost effective basis. The Company's operating results could be adversely affected if a significant supplier was unable to deliver sufficient product.

5. RESTRUCTURING CHARGES

On March 31, 2005, the Company announced the closing of its centralized National Remanufacturing Center in Milford, Connecticut to its employees and discontinued its remanufactured copier product line, substantially all of which was analog product. The restructuring plan was a result of the industry shift to digital technology, which resulted in a decrease in customer demand for remanufactured product. The Company's analysis of the marketplace confirmed that

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the customer demand for remanufactured copiers was in a steady state of decline. The Company will continue to recondition and refurbish digital products at its regional distribution centers. In accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," the Company recorded a liability in the first quarter of 2005 for the total estimated costs associated with the exit activity. In the first quarter of 2005, the Company recorded restructuring charges as a result of this activity of \$1.8 million, which included \$1.1 million in inventory write-offs, \$0.4 million in asset impairment charges, \$0.2 million in severance charges representing termination benefits for the staff reduction of nineteen employees and \$0.1 million in fixed asset disposals. The inventory write-off charges in the amount of \$1.1 million were classified in cost of sales and the remaining charges amounting to \$0.7 million were classified in selling, service and administrative expenses. Cash charges of \$0.1 million for both the three and six months ended June 30, 2005 represented severance payments for staff reductions. There were no additional restructuring charges incurred during the three months ended June 30, 2005. The Company completed the closing of the remanufacturing center in the second quarter of 2005. The restructuring activity is attributable to the Company's North America geographic segment.

6. EARNINGS PER SHARE CALCULATION

Basic earnings per share was calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the applicable period. Diluted earnings per share was calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding plus all dilutive common stock equivalents outstanding during the applicable period. The calculation of diluted earnings per share did not include shares underlying approximately 272,093 and 269,861 options for the three and six months ended June 30, 2005 and approximately 9,200 options for both the three and six months ended June 30, 2004, respectively, since they were antidilutive for the periods presented.

A reconciliation of the basic and diluted earnings per share computation is as follows:

	FOR THE THREE MONTHS ENDED JUNE 30,		
	2005	2004	
Net income available to common stockholders	\$ 6,702	\$ 5,639	\$
Weighted average common shares for basic earnings per share	16,047,780	16,248,921	16
Add: dilutive effect of restricted stock	29,760	214,143	
Add: dilutive effect of stock options	320,435	488,159	
Weighted average common shares and equivalents for diluted earnings per share	16,397,975	16,951,223	16
Basic earnings per share	\$ 0.42	\$ 0.35	\$
Diluted earnings per share	\$ 0.41	\$ 0.33	\$

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IMAGISTICS INTERNATIONAL INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

7. GOODWILL AND GOODWILL AMORTIZATION

The Company accounts for goodwill in accordance with SFAS No. 142 "Goodwill and Other Intangible Assets," which requires that goodwill and certain other intangible assets having indefinite lives no longer be amortized to earnings, but instead be tested for impairment annually and on an interim basis if events or changes in circumstances indicate that goodwill might be impaired. The Company performed its annual test for impairment as of October 1, 2004 using the discounted cash flow valuation method. There was no impairment to the value of the Company's recorded goodwill. The carrying value of goodwill of \$68.0 million as of June 30, 2005 is attributable to the North America geographic segment and \$2.2 million is attributable to the United Kingdom geographic segment.

8. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2005 and December 31, 2004:

	JUNE 30, 2005	DECEMBER 31, 2004
	-----	-----
Revolving Credit Facility	\$ 28,500	\$ 18,000
Term Loan	52,631	52,904
Less: current maturities	(545)	(545)
	-----	-----
Total long-term debt	\$ 80,586	\$ 70,359
	=====	=====

The Company is party to a Credit Agreement with a group of lenders (the "Credit Agreement") that provides for secured borrowings and the issuance of letters of credit in an aggregate amount not to exceed \$195.0 million, comprised of a \$95.0 million Revolving Credit Facility (the "Revolving Credit Facility") and a \$100.0 million Term Loan (the "Term Loan").

The Company pledged substantially all of its assets plus 65% of the stock of the Company's direct, wholly-owned subsidiaries as security for its obligations under the Credit Agreement. Available borrowings and letter of credit issuance under the Revolving Credit Facility are determined by a borrowing base consisting of a percentage of our eligible accounts receivable, inventory, rental assets and accrued and advance billings, less outstanding borrowings under the Term Loan.

The Credit Agreement contains financial covenants that require the maintenance of minimum earnings before interest, taxes, depreciation and amortization ("EBITDA") and a maximum leverage ratio (total debt to EBITDA), as well as other covenants, which, among other things, place limits on dividend payments and capital expenditures.

During 2004, the Credit Agreement was amended to increase the amount of the Company's common stock permitted to be repurchased from \$78.0 million to \$108.0 million, to increase the aggregate amount of acquisition consideration payable for acquisitions from \$30.0 million to \$60.0 million and to remove the requirement for annual borrowing base audits as long as \$50.0 million or more of borrowings are available under the Credit Agreement and the fixed charge ratio, as defined, is 2.0 or higher. In addition, during 2004, the Credit Agreement was amended to reduce and fix the Term Loan interest rate to LIBOR plus a margin of 1.25% or to the Bank of America base lending rate plus a margin of 0.25%.

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During 2005, the Credit Agreement was amended to increase the amount of the Company's common stock permitted to be repurchased from \$108 million to \$168 million, to increase the aggregate amount of acquisition consideration payable for acquisitions from \$60 million to \$100 million, to increase the amount of certain categories of indebtedness and contingent obligations that may be incurred by the Company from \$5 million to \$15 million and to decrease the amount that the Company must have the ability to borrow as revolving loans under the Credit Agreement following the consummation of a permitted stock repurchase from \$30 million to \$20 million.

As of June 30, 2005, the Board of Directors authorized repurchases up to \$138.0 million under the Company's stock buy back program as described in Part II, Item 2 herein.

At June 30, 2005, the Revolving Credit Facility interest rate was LIBOR plus a margin of 1.25% or the Bank of America base lending rate plus a margin of 0.25%.

At June 30, 2005, \$81.1 million of borrowings were outstanding under the Credit Agreement, consisting of \$28.5 million of borrowings under the Revolving Credit Facility and \$52.6 million of borrowings under the Term Loan, and the borrowing base

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IMAGISTICS INTERNATIONAL INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

amounted to approximately \$104.0 million. At June 30, 2005, the weighted average interest rate was 5.00% on borrowings under the Revolving Credit Facility and the interest rate was 4.74% on borrowings under the Term Loan. Approximately \$65.3 million of the Revolving Credit Facility was available for borrowing at June 30, 2005. The Term Loan is payable in six consecutive equal quarterly installments of \$0.1 million due September, 2005 through December 31, 2006, three consecutive equal quarterly installments of \$12.9 million due March 31, 2007 through September 30, 2007 and a final payment of \$12.9 million due at maturity.

At June 30, 2005 and December 31, 2004, one irrevocable standby letter of credit in the amount of \$1.4 million was outstanding as security for the Company's casualty insurance program.

9. COMMITMENTS AND CONTINGENCIES

Guarantees and indemnifications

The Company has applied the disclosure provisions of FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Direct Guarantees of Indebtedness of Others," to its agreements that contain guarantee or indemnification clauses. FIN No. 45 expands the disclosure provisions required by SFAS No. 5, "Accounting for Contingencies," by requiring the guarantor to disclose certain types of guarantees, even if the likelihood of requiring the guarantor's performance is remote. The following is a description of the arrangements in which the Company is a guarantor.

In connection with the Distribution, the Company entered into certain agreements pursuant to which it may be obligated to indemnify Pitney Bowes with respect to certain matters. The Company agreed to assume all liabilities

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associated with the Company's business, and to indemnify Pitney Bowes for all claims relating to the Company's business. These may be claims by or against Pitney Bowes or the Company relating to, among other things, contractual rights under vendor, insurance or other contracts, trademark, patent and other intellectual property rights, equipment, service or payment disputes with customers and disputes with employees.

The Company and Pitney Bowes entered into a tax separation agreement, which governs the Company's and Pitney Bowes' respective rights, responsibilities and obligations after the Distribution with respect to taxes for the periods ending on or before the Distribution. In addition, the tax separation agreement generally obligated the Company not to enter into any transaction that would adversely affect the tax-free nature of the Distribution for the two-year period following the Distribution, and obligates the Company to indemnify Pitney Bowes and affiliates to the extent that any action the Company takes or fails to take gives rise to a tax liability with respect to the Distribution.

It is not possible to predict the maximum potential future payments under these agreements. As of June 30, 2005, the Company has not paid any material amounts pursuant to the above indemnifications other than expenses incurred in connection with the defense and settlement of assumed claims asserted in connection with the operation of the Company in the ordinary course of business. The Company believes that if it were to incur a loss in any of these matters, such loss would not have a material adverse effect on the Company's financial position, results of operations or cash flows.

Legal matters

In connection with the Distribution, the Company agreed to assume all liabilities associated with its business, and to indemnify Pitney Bowes for all claims relating to its business. In the normal course of business, the Company has been party to occasional lawsuits relating to the Company's business. These may involve litigation or other claims by or against Pitney Bowes or the Company relating to, among other things, contractual rights under vendor, insurance or other contracts, trademark, patent and other intellectual property rights, equipment, service or payment disputes with customers and disputes with employees.

In connection with the Distribution, liabilities were transferred to the Company for matters where Pitney Bowes was a plaintiff or a defendant in lawsuits, relating to the business or products of the Company. The Company has not recorded liabilities for loss contingencies related to these and other subsequent proceedings since the ultimate resolutions of the legal matters cannot be determined and a minimum cost or amount of loss cannot be reasonably estimated. In the opinion of the Company's management, none of these proceedings, individually or in the aggregate, should have a material adverse effect on the Company's financial position, results of operations or cash flows.

10. DISTRIBUTION AGREEMENTS

The Company and Pitney Bowes entered into a transition services agreement that provided for Pitney Bowes to provide certain services to the Company for a limited time following the Distribution. These services were provided at cost and included information technology, computing, telecommunications, certain

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accounting, field service of equipment and dispatch call center services. The Company and Pitney Bowes had agreed to an extension until December 31, 2003, of the transition services agreement as it related to information technology and related services. Services provided under this extension were at negotiated market rates. Except for field service of equipment, all of the services provided by Pitney Bowes under these agreements have ceased in accordance with the terms of the agreements.

The Company and Pitney Bowes entered into a one-year service agreement on an arms-length basis relating to field service of equipment in certain remote geographic locations not covered by the Company's direct service organization. This agreement, the initial term of which expired on July 1, 2004, had been extended under the same terms and conditions, through September 30, 2004. Effective October 1, 2004, the Company and Pitney Bowes entered into a three-year service agreement under similar terms and conditions. This agreement expires on September 30, 2007. Services provided under this agreement are at negotiated prices.

The Company paid Pitney Bowes \$1.3 million and \$2.6 million for each of the three and six months ended June 30, 2005 and 2004, respectively, in connection with field service of equipment.

The Company also entered into certain other agreements covering intellectual property, commercial relationships and leases and licensing arrangements. The pricing terms of the products and services covered by the other commercial agreements reflect negotiated prices.

The Company and Pitney Bowes entered into a tax separation agreement, which governs the Company's and Pitney Bowes' respective rights, responsibilities and obligations after the Distribution with respect to taxes for the periods ending on or before the Distribution. In addition, the tax separation agreement generally obligated the Company not to enter into any transaction that would adversely affect the tax-free nature of the Distribution for the two-year period following the Distribution, and obligates the Company to indemnify Pitney Bowes and affiliates to the extent that any action the Company takes or fails to take gives rise to a tax liability with respect to the Distribution.

11. ACQUISITIONS

Effective June 30, 2005, the Company acquired substantially all of the assets and business of a dealer of copier and multifunctional equipment and related support services in the United Kingdom, to expand the Company's geographic sales and service capabilities in that market. The aggregate purchase price was \$3.1 million, consisting of \$2.6 million paid at closing and \$0.5 million payable within 21 days after closing. Of the aggregate purchase price, \$0.5 million was allocated to the assets acquired and liabilities assumed at the date of acquisition, \$0.4 million was recorded as a prepaid asset on account of a contingent payment to be made within the allocation period upon attainment of certain targets and \$2.2 million was allocated to intangible and other assets, including goodwill.

Effective April 6, 2005, the Company acquired all of the stock and business of an independent dealer of copier and multifunctional equipment and related support services in Canada, to continue to expand the Company's geographic sales and service capabilities in British Columbia, Canada. The aggregate purchase price was \$2.0 million, consisting of \$1.5 million cash paid at closing, \$0.2 million payable 150 days from closing and a total of \$0.1 million payable in four equal annual installments payable April 6, 2006 through April 6, 2009. Of the aggregate purchase price, \$0.3 million was allocated to the net assets and liabilities assumed at the date of acquisition and \$1.7 million was allocated to intangible and other assets, of which \$1.6 million was

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allocated to goodwill.

Effective August 30, 2004, the Company acquired all of the stock and business of an independent dealer of copier and multifunctional equipment and related support services in Canada, to continue to expand the Company's geographic sales and service capabilities in Ontario, Canada. The aggregate purchase price was \$2.4 million, of which \$0.4 million was allocated to the net liabilities assumed at the date of acquisition and \$2.8 million was allocated to goodwill.

Effective June 15, 2004, the Company acquired substantially all of the assets and business of an independent dealer of copier and multifunctional equipment and related support services in the United States, to expand the Company's geographic sales and service capabilities in Arkansas. The aggregate purchase price was \$7.4 million, consisting of \$6.0 million cash paid at closing, \$0.3 million payable 120 days from closing and four equal annual installments of \$0.3 million payable June 15, 2005 through

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IMAGISTICS INTERNATIONAL INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

June 15, 2008. Of the aggregate purchase price, \$2.3 million was allocated to the assets acquired and liabilities assumed at the date of acquisition and \$5.1 million was allocated to intangible and other assets, of which \$3.8 million was allocated to goodwill.

Effective March 16, 2004, the Company acquired substantially all of the assets and business of an independent dealer of copier and multifunctional equipment and related support services in Canada, to continue to expand the Company's geographic sales and service capabilities in Ontario, Canada. The aggregate purchase price was \$4.4 million, consisting of \$3.8 million cash paid at closing, \$0.3 million payable 120 days from closing and \$0.3 million payable 24 months after closing. Of the aggregate purchase price, \$0.6 million was allocated to the assets acquired and liabilities assumed at the date of acquisition and \$3.8 million was allocated to intangible and other assets, of which \$3.5 million was allocated to goodwill.

The above acquisitions were accounted for using the purchase method of accounting and, accordingly, the results of the acquired businesses have been included in the Company's consolidated financial statements from the respective dates of acquisition. The Company has not yet completed the valuation and allocation of the purchase price for the acquisitions that occurred during the six months ended June 30, 2005, and these amounts may be subject to adjustment in subsequent quarters.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the audited consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K for the year ended December 31, 2004 filed with the United States Securities and Exchange Commission on March 10, 2005, as well as the unaudited consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q. This Management's Discussion and Analysis

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of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Please see "Risk Factors That Could Cause Results To Vary" and "Special Note About Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements. Our actual results could differ materially from those forward-looking statements discussed in this section. For the purposes of the following discussion, unless the context otherwise requires, "Imagistics International Inc.," "Imagistics," "We" and "Our," refers to Imagistics International Inc. and subsidiaries.

OVERVIEW

Imagistics International Inc. ("Imagistics" or the "Company") is an independent direct sales, service and marketing organization offering business document imaging and management solutions, including copiers, multifunctional products, often referred to as MFPs, and facsimile machines, in the United States, the United Kingdom and parts of Canada. Our primary customers include large corporate customers known as national accounts, government entities and mid-size and regional businesses known as commercial accounts. MFPs offer the multiple functionality of copying, printing, faxing, emailing and scanning in a single unit. In addition, we offer a range of document imaging options including digital, black and white, color and/or networked products, systems and solutions.

Our strategic vision is to become the leading independent direct provider of enterprise office imaging and document solutions by providing world-class products and services with unparalleled customer support and satisfaction with a focus on multiple location customers, thus building value for our shareholders, customers and employees. Our strategic initiatives include:

- o Maintaining and further strengthening major account relationships,
- o Expanding our product offerings through our sourcing and distribution relationships,
- o Increasing outreach of our direct sales and service force in the copier/MFP market,
- o Focusing on customer needs and
- o Pursuing opportunistic expansion and investments.

Our revenue is generated from three lines of business: copier/MFP, facsimile and sales to Pitney Bowes of Canada. We report sales to Pitney Bowes of Canada separately as it operates under a separate reseller agreement. The principal evolution in our industry and business has been the transition to networked digital copiers/MFPs, away from single-function stand-alone facsimile machines and analog copiers. This transition has resulted in decreased demand for and usage of single function facsimile equipment in the marketplace. In addition, the industry is now migrating towards color and color-enabled products. We have responded to this market development by focusing our efforts on the growth opportunities for digital connectivity and color-enabled products in our copier/MFP product line.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Revenue recognition

Revenue on equipment and supplies sales is recognized when contractual obligations have been satisfied, title and risk of loss have been transferred to the customer and collection of the resulting receivable is reasonably assured. For copier/MFP equipment, the satisfaction of contractual obligations and the

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passing of title and risk of loss to the customer occur upon the installation of the equipment at the customer location. For facsimile equipment and facsimile supplies, the satisfaction of contractual obligations and the passing of title and risk of loss to the customer occur upon the delivery of the facsimile equipment and the facsimile supplies to the customer location. We record a provision for estimated sales returns and other allowances based upon historical experience.

Rental contracts, which often include supplies, are generally for an initial term of three years with automatic renewals unless we receive prior notice of cancellation. Under the terms of rental contracts, we bill our customers a flat periodic charge and/or a usage-based fee. Revenues related to these contracts are recognized each month as earned, either using the straight-line method or based upon usage, as applicable. We record a provision for estimated usage adjustments on rental contracts based upon historical experience.

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Support services contracts, which often include supplies, are generally for an initial term of one year with automatic renewals unless we receive prior notice of cancellation. Under the terms of support services contracts, we bill our customers either a flat periodic charge or a usage-based fee. Revenues related to these contracts are recognized each month as earned, either using the straight-line method or based upon usage, as applicable. We record a provision for estimated usage adjustments on service contracts based upon historical experience.

Certain rental and support services contracts provide for invoicing in advance, generally quarterly. Revenue on contracts billed in advance is deferred and recognized as earned revenue over the billed period. Certain rental and support services contracts provide for invoicing in arrears, generally quarterly. Revenue on contracts billed in arrears is accrued and recognized in the period in which it is earned.

We enter into arrangements that include multiple deliverables, which typically consist of the sale of equipment with a support services contract. We account for each element within an arrangement with multiple deliverables as separate units of accounting. Revenue is allocated to each unit of accounting based on the residual method, which requires the allocation of the revenue based on the fair value of the undelivered items. Fair value of support services is primarily determined by reference to renewal pricing of support services contracts when sold on a stand-alone basis.

Accounts receivable

Accounts receivable are stated at net realizable value by recording allowances for those accounts receivable amounts that we believe are uncollectible. Our estimate of losses is based on prior product returns and invoice adjustment experience as well as prior collection experience and includes evaluating the credit worthiness of our customers, analyzing historical bad debt write-offs and reviewing the aging of the receivables. Our allowance for doubtful accounts includes amounts for specific accounts that we believe are uncollectible, as well as amounts that have been computed by applying certain percentages based on historic loss trends, to certain accounts receivable aging categories and estimated amounts relating to delinquencies associated with the changes in our billing policies and invoice format resulting from the implementation of our enterprise resource planning ("ERP") system.

Inventory valuation

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Inventories are valued at the lower of cost or market. Provisions, when required, are made to reduce excess and obsolete inventories to their estimated net realizable values. Inventory provisions are calculated using management's best estimates of inventory value based on the age of the inventory, quantities on hand compared with historical and projected usage and current and anticipated demands.

Rental equipment

Rental equipment is comprised of equipment on rent to customers and is depreciated on the straight-line method over the estimated useful life of the equipment. Copier/MFP equipment is depreciated over three years and facsimile equipment placed in service prior to October 1, 2003 is depreciated over five years. Facsimile equipment placed in service on or after October 1, 2003 is depreciated over three years.

Share-based employee compensation

We adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment" on January 1, 2005. SFAS No. 123(R) establishes the accounting for share-based compensation and requires companies to measure and recognize compensation expense for all share-based payments at fair value. Accordingly, share-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. We elected to adopt the modified retrospective application method as provided by SFAS No. 123(R) and financial statement amounts for all prior years for which SFAS No. 123, "Accounting for Stock-Based Compensation" was effective have been restated to give effect to the fair value-based method of accounting under SFAS No. 123(R).

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REVENUE

(Dollars in thousands)

The following table shows our revenue sources by segment for the periods indicated.

	FOR THE THREE MONTHS ENDED JUNE 30,	
	2005	2004
North America	\$ 140,270	\$ 146,127
United Kingdom	5,412	5,400
Total revenue	\$ 145,682	\$ 151,527

Our revenue is generated from three lines of business: copier/MFP, facsimile and sales to Pitney Bowes of Canada. The following table shows our revenue and growth rates versus the prior year by revenue type for our three business lines, for the periods indicated. Sales to Pitney Bowes of Canada are

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presented separately as it operates under a separate reseller agreement. There is no rental or support service revenue associated with Pitney Bowes of Canada.

	FOR THE THREE MONTHS ENDED JUNE 30,				FOR THE S J	
	2005		2004		2005	
	REVENUE	GROWTH RATE	REVENUE	GROWTH RATE	REVENUE	RAT
Sales						
Copier/MFP products	\$ 60,026	6.6%	\$ 56,330	11.6%	\$116,313	7.
Facsimile products	15,073	(12.7%)	17,256	(21.8%)	29,561	(21.
Pitney Bowes of Canada	1,200	(25.2%)	1,604	(74.6%)	3,285	(72.
Total sales	76,299	1.5%	75,190	4.7%	149,159	(5.
Rentals						
Copier/MFP products	28,275	3.4%	27,352	9.4%	55,844	4.
Facsimile products	17,961	(33.0%)	26,827	(13.8%)	37,977	(31.
Total rentals	46,236	(14.7%)	54,179	(3.4%)	93,821	(13.
Support services						
Copier/MFP products	21,492	5.5%	20,378	8.0%	41,446	3.
Facsimile products	1,655	(7.0%)	1,780	(13.6%)	3,377	(6.
Total support services	23,147	4.5%	22,158	5.9%	44,823	3.
Total revenue	\$145,682	(3.9%)	\$151,527	(2.8%)	\$287,803	(7.

Our year over year copier/MFP rental growth continued to be impacted by the expiration of certain contracts with the Federal government that were not renewed. We expect that year over year copier/MFP rental growth will continue to be modest in the third quarter of 2005, but will improve in the fourth quarter of 2005 due to a strong level of recent business activity and the aforementioned Federal government contracts which are expected to have less of a negative year over year impact.

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The following table shows our revenue and growth rates versus the prior year for our three business lines, for the periods indicated. Sales to Pitney Bowes of Canada are presented separately as it operates under a separate reseller agreement.

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR TH	
	2005		2004	
	GROWTH		GROWTH	

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	REVENUE	RATE	REVENUE	RATE	REVENUE	RATE
	-----	-----	-----	-----	-----	-----
Revenue						
Copier/MFP products	\$109,793	5.5%	\$104,060	10.3%	\$213,603	5.5%
Facsimile products	34,689	(24.4%)	45,863	(17.0%)	70,915	(26.4%)
	-----		-----		-----	
Revenue excluding						
Pitney Bowes of Canada	144,482	(3.6%)	149,923	0.2%	284,518	(4.1%)
Pitney Bowes of Canada	1,200	(25.2%)	1,604	(74.6%)	3,285	(72.1%)
	-----		-----		-----	
Total revenue	\$145,682	(3.9%)	\$151,527	(2.8%)	\$287,803	(7.1%)
	=====		=====		=====	

Sales to Pitney Bowes of Canada are pursuant to a reseller agreement and are at margins significantly below the typical margins on sales to our direct customers. We expect to maintain a reseller agreement with Pitney Bowes of Canada, however, we are unable to predict the future level of sales to Pitney Bowes of Canada. Although revenue, excluding sales to Pitney Bowes of Canada represents a non-GAAP financial measure, we believe it is useful to analyze revenue excluding sales to Pitney Bowes of Canada in order to better evaluate the effectiveness of our direct sales and marketing initiatives, including the transition of our business from facsimile to copier/MFP products, and our pricing policies.

RESULTS OF OPERATIONS

The following table shows our statement of income data, expressed as a percentage of total revenue, for the periods indicated. The table also shows cost of sales as a percentage of sales revenue, cost of rentals as a percentage of rental revenue and our effective tax rate:

	AS A % OF TOTAL REVENUE, EXCEPT AS		
	FOR THE THREE MONTHS ENDED		FOR THE
	JUNE 30,		
	2005	2004	2005
	-----	-----	-----
Equipment sales	30%	27%	29%
Supplies sales	22%	22%	22%
	-----	-----	-----
Total sales	52%	49%	51%
Equipment rentals	32%	36%	33%
Support services	16%	15%	18%
	-----	-----	-----
Total revenue	100%	100%	100%
	-----	-----	-----
Cost of sales	29%	28%	29%
Cost of rentals	10%	10%	10%
Selling, service and administrative expenses	52%	55%	53%
	-----	-----	-----
Operating income	9%	7%	9%
	-----	-----	-----
Interest expense	1%	0%	1%
	-----	-----	-----
Income before income taxes	8%	7%	8%
Provision for income taxes	3%	3%	3%
	-----	-----	-----

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Net income	5%	4%	
	=====	=====	=====
Cost of sales as a percentage of sales revenue	55.7%	56.4%	56.
	=====	=====	=====
Cost of rentals as a percentage of rental revenue	31.7%	28.3%	30.
	=====	=====	=====
Effective tax rate	41.9%	42.4%	41.
	=====	=====	=====

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THREE MONTHS ENDED JUNE 30, 2005 AND JUNE 30, 2004

Revenue. For the three months ended June 30, 2005, total revenue of \$145.7 million declined 3.9% versus revenue of \$151.5 million for the three months ended June 30, 2004 reflecting lower facsimile revenue, partially offset by higher copier/MFP revenue.

Equipment and supplies sales revenue of \$76.3 million increased 1.5% for the three months ended June 30, 2005 from \$75.2 million for the three months ended June 30, 2004, reflecting higher copier/MFP sales, partially offset by lower facsimile sales. Copier/MFP sales increased 6.6% primarily due to continued unit volume growth, including strong demand for color copier/MFP products and growth in aftermarket supplies. Facsimile equipment and supplies sales declined 12.7% compared with the prior year reflecting lower supplies sales due to the continuing industry-wide reduction in facsimile usage, partially offset by a large rental to sale conversion of facsimile equipment in the second quarter of 2005.

Equipment rental revenue of \$46.2 million for the three months ended June 30, 2005 declined 14.7% versus equipment rental revenue of \$54.2 million for the three months ended June 30, 2004, reflecting the continued expected decline in facsimile rental revenues, partially offset by an increase in copier/MFP rental revenues resulting from our continuing copier/MFP marketing focus. Rental revenue derived from our copier/MFP product line increased 3.4% reflecting growth in the overall installed rental population and increased page volumes. The growth in copier/MFP rentals in the second quarter of 2005 continued to be impacted by the expiration of certain Federal government contracts not renewed, as our current product offerings are manufactured in China and are not authorized under applicable U.S. government purchase regulations. Rental revenue from our facsimile product line declined 33.0% versus the prior year reflecting acceleration of the expected decline in the rental installed base due in part to the impact of rental to sale conversions coupled with lower per unit pricing.

Support services revenue for the three months ended June 30, 2005 of \$23.2 million, primarily derived from stand-alone service contracts, increased 4.5% versus support services revenue of \$22.1 million for the three months ended June 30, 2004, reflecting higher copier/MFP service revenue due to increased page volumes and copier/MFP equipment sales growth, partially offset by lower facsimile service revenue.

Cost of sales. Cost of sales was \$42.5 million for the three months ended June 30, 2005 compared with \$42.4 million for the three months ended June 30, 2004. Cost of sales as a percentage of sales revenue decreased 0.7 percentage points to 55.7% for the three months ended June 30, 2005 from 56.4% for the three months ended June 30, 2004. The decrease in cost of sales as a percentage

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of sales revenue was due to lower inventory obsolescence charges, a large rental to sale conversion of facsimile equipment and product cost reductions, partially offset by the impact of certain competitively bid large sales transactions and the continuing shift in product mix away from the higher margin facsimile product line toward the lower margin copier/MFP product line.

Cost of rentals. Cost of rentals was \$14.6 million for the three months ended June 30, 2005 compared with \$15.3 million for the three months ended June 30, 2004 and cost of rentals as a percentage of rental revenue increased 3.4 percentage points to 31.7% for the three months ended June 30, 2005 from 28.3% for the three months ended June 30, 2004. This increase was due to the continuing shift in product revenue mix from facsimile to copier/MFP product rentals, which have a higher cost as a percentage of rental revenue than facsimile machines.

Selling, service and administrative expenses. Selling, service and administrative expenses of \$75.9 million were 52.1% of total revenue for the three months ended June 30, 2005 compared with \$83.1 million, or 54.8% of total revenue for the three months ended June 30, 2004. Selling, service and administrative expenses decreased 8.7% versus the prior year primarily resulting from lower compensation and benefit expenses related to reduced headcount, lower incentive compensation and lower ERP-implementation and related administrative support costs. This was partially offset by the absence of an insurance recovery of \$1.5 million, or \$0.05 per share for business interruption claims related to the World Trade Center received in the second quarter of 2004 and higher operating expenses associated with direct distribution expansion. Selling, service and administrative expenses for the three months ended June 30, 2005 included \$0.6 million, or \$0.02 per share in severance charges.

Field sales and service operating expenses are included in selling, service and administrative expenses because no meaningful allocation of these expenses to cost of sales, cost of rentals or cost of support services is practicable.

Interest expense. Interest expense increased to \$1.2 million for the three months ended June 30, 2005 compared with \$0.9 million for the three months ended June 30, 2004 resulting from higher debt levels and higher interest rates. The weighted average interest rate for the three months ended June 30, 2005 was 4.5% compared with 2.9% for the three months ended June 30, 2004.

Effective tax rate. Our effective tax rate decreased to 41.9% for the three months ended June 30, 2005 compared with 42.4% for the three months ended June 30, 2004 due to a decrease in state and local income taxes and lower tax reserves.

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SIX MONTHS ENDED JUNE 30, 2005 AND JUNE 30, 2004

Revenue. For the six months ended June 30, 2005, total revenue of \$287.8 million declined 7.1% versus revenue of \$309.8 million for the six months ended June 30, 2004 reflecting lower facsimile revenue and lower sales to Pitney Bowes of Canada. Excluding the impact of revenue attributable to sales to Pitney Bowes of Canada, which operates under a reseller agreement, total revenue for the six months ended June 30, 2005 declined 4.6% versus the prior year.

Equipment and supplies sales revenue of \$149.2 million decreased 5.4% for the six months ended June 30, 2005 from \$157.7 million for the six months ended June 30, 2004, reflecting lower sales to Pitney Bowes of Canada and lower facsimile sales. Excluding the impact of sales to Pitney Bowes of Canada, total

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sales revenue decreased slightly compared with the prior year. Copier/MFP sales increased 7.3% primarily due to continued unit volume growth in low end digital and color multifunctional product segments, including strong demand for color copier/MFP products and our geographic expansion of sales as described in Note 11 of our "Notes to Consolidated Financial Statements." Facsimile equipment and supplies sales declined 21.4% compared with the prior year reflecting lower equipment and supplies sales due to the continuing industry-wide reduction in facsimile usage.

Equipment rental revenue of \$93.8 million for the six months ended June 30, 2005 declined 13.6% versus equipment rental revenue of \$108.6 million for the six months ended June 30, 2004, reflecting the continued decline in facsimile rental revenues, partially offset by an increase in copier/MFP rental revenues resulting from our continuing copier/MFP marketing focus. Rental revenue derived from our copier/MFP product line increased 4.4% reflecting growth in the overall installed rental population and increased page volumes. The growth in copier/MFP rentals for the six months ended June 30, 2005 continued to be impacted by the expiration of certain Federal government contracts not renewed, as our current product offerings are manufactured in China and are not authorized under applicable U.S. government purchase regulations. Rental revenue from our facsimile product line declined 31.1% versus the prior year reflecting acceleration of the expected decline in the rental installed base due to the impact of rental to sale conversions and lower per unit pricing.

Support services revenue for the six months ended June 30, 2005 of \$44.8 million, primarily derived from stand-alone service contracts, increased 3.0% versus support services revenue of \$43.5 million for the six months ended June 30, 2004, reflecting higher copier/MFP service revenue due to increased page volumes and copier/MFP equipment sales growth, partially offset by lower facsimile service revenue.

Cost of sales. Cost of sales was \$84.8 million for the six months ended June 30, 2005 compared with \$91.4 million for the six months ended June 30, 2004. Cost of sales as a percentage of sales revenue decreased 1.1 percentage points to 56.8% for the six months ended June 30, 2005 from 57.9% for the six months ended June 30, 2004. The decrease in cost of sales as a percentage of sales revenue was due to lower inventory obsolescence charges, a large rental to sale conversion of facsimile equipment and product cost reductions, partially offset by the impact of certain competitively bid large sales transactions in the second quarter of 2005 and the continuing shift in product mix away from the higher margin facsimile product line toward the lower margin copier/MFP product line. In the six months ended June 30, 2005, cost of sales included \$1.1 million, or \$0.03 per share in restructuring inventory charges as a result of the closing of our National Remanufacturing Center (see "Restructuring Charges" below).

Cost of rentals. Cost of rentals was \$28.9 million for the six months ended June 30, 2005 compared with \$31.1 million for the six months ended June 30, 2004 and cost of rentals as a percentage of rental revenue increased 2.1 percentage points to 30.8% for the six months ended June 30, 2005 from 28.7% for the six months ended June 30, 2004. This increase was due to the continuing shift in product revenue mix from facsimile to copier/MFP product rentals, which have a higher cost as a percentage of rental revenue than facsimile machines.

Selling, service and administrative expenses. Selling, service and administrative expenses of \$157.7 million were 54.8% of total revenue for the six months ended June 30, 2005 compared with \$166.7 million, or 53.8% of total revenue for the six months ended June 30, 2004. Selling, service and administrative expenses decreased 5.4% versus the prior year primarily resulting from lower compensation and benefit expenses related to reduced headcount, lower incentive compensation and lower ERP-implementation and related administrative

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support costs. This was partially offset by higher operating expenses associated with direct distribution expansion and the absence of an insurance recovery of \$1.5 million, or \$0.05 per share for business interruption claims related to the World Trade Center received in the second quarter of 2004. Selling, service and administrative expenses for the six months ended June 30, 2005 included \$0.7 million, or \$0.02 per share in restructuring charges as a result of the closing of our National Remanufacturing Center (see "Restructuring Charges" below) and \$2.4 million, or \$0.08 per share in severance charges.

Field sales and service operating expenses are included in selling, service and administrative expenses because no meaningful allocation of these expenses to cost of sales, cost of rentals or cost of support services is practicable.

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Interest expense. Interest expense increased to \$2.3 million for the six months ended June 30, 2005 compared with \$1.8 million for the six months ended June 30, 2004 resulting from higher debt levels and higher interest rates. The weighted average interest rate for the six months ended June 30, 2005 was 4.2% compared with 3.0% for the six months ended June 30, 2004.

Effective tax rate. Our effective tax rate decreased to 41.9% for the six months ended June 30, 2005 compared with 42.7% for the six months ended June 30, 2004 due to a decrease in state and local income taxes and lower tax reserves.

RESTRUCTURING CHARGES

On March 31, 2005, we announced the closing of our centralized National Remanufacturing Center in Milford, Connecticut to our employees and discontinued our remanufactured copier product line, substantially all of which was analog product. The restructuring plan was a result of the industry shift to digital technology, which resulted in a decrease in customer demand for remanufactured product. Our analysis of the marketplace confirmed that the customer demand for remanufactured copiers was in a steady state of decline. We will continue to recondition and refurbish digital products at our regional distribution centers. In the first quarter of 2005, we recorded restructuring charges as a result of this activity of \$1.8 million, which included \$1.1 million in inventory write-offs, \$0.4 million in asset impairment charges, \$0.2 million in severance charges representing termination benefits for the staff reduction of nineteen employees and \$0.1 million in fixed asset disposals. The inventory write-off charges amounting to \$1.1 million have been classified in cost of sales and the remaining charges amounting to \$0.7 million have been classified in selling, service and administrative expenses in the Income Statement included in Part I, Item 1 herein. Cash charges of \$0.1 million for both the three and six months ended June 30, 2005 represented severance payments for staff reductions. There were no additional restructuring charges incurred during the three months ended June 30, 2005. We completed the closing of the remanufacturing center in the second quarter of 2005. The restructuring activity is attributable to our North America geographic segment.

LIQUIDITY AND CAPITAL RESOURCES

We are party to a Credit Agreement with a group of lenders (the "Credit Agreement") that provides for secured borrowings or the issuance of letters of credit in an aggregate amount not to exceed \$195.0 million, comprised of a \$95.0 million Revolving Credit Facility (the "Revolving Credit Facility") and a \$100.0 million Term Loan (the "Term Loan").

We have pledged substantially all of our assets plus 65% of the stock of

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our direct, wholly-owned subsidiaries as security for our obligations under the Credit Agreement. Available borrowings and letter of credit issuance under the Revolving Credit Facility are determined by a borrowing base consisting of a percentage of our eligible accounts receivable, inventory, rental assets and accrued and advance billings, less outstanding borrowings under the Term Loan.

The Credit Agreement contains financial covenants that require the maintenance of minimum earnings before interest, taxes, depreciation and amortization ("EBITDA") and a maximum leverage ratio (total debt to EBITDA), as well as other covenants, which, among other things, place limits on dividend payments and capital expenditures.

During 2004, the Credit Agreement was amended to increase the amount of our stock permitted to be repurchased from \$78.0 million to \$108.0 million, to increase the aggregate amount of acquisition consideration payable for acquisitions from \$30.0 million to \$60.0 million and to remove the requirement for annual borrowing base audits as long as \$50.0 million or more of borrowings are available under the Credit Agreement and the fixed charge ratio, as defined, is 2.0 or higher. In addition, during 2004, the Credit Agreement was amended to reduce and fix the Term Loan interest rate to LIBOR plus a margin of 1.25% or to the Bank of America base lending rate plus a margin of 0.25%.

During 2005, the Credit Agreement was amended to increase the amount of our common stock permitted to be repurchased from \$108 million to \$168 million, to increase the aggregate amount of acquisition consideration payable for acquisitions from \$60 million to \$100 million, to increase the amount of certain categories of indebtedness and contingent obligations that may be incurred by us from \$5 million to \$15 million and to decrease the amount that we must have the ability to borrow as revolving loans under the Credit Agreement following the consummation of a permitted stock repurchase from \$30 million to \$20 million. At June 30, 2005, we were in compliance with all of the financial covenants.

As of June 30, 2005, the Board of Directors authorized repurchases up to \$138.0 million under our stock buy back program as described in Part II, Item 2 herein.

At June 30, 2005, the Revolving Credit Facility interest rate was LIBOR plus a margin of 1.25% or the Bank of America base lending rate plus a margin of 0.25%.

At June 30, 2005, \$81.1 million of borrowings were outstanding under the Credit Agreement, consisting of \$28.5 million of borrowings under the Revolving Credit Facility and \$52.6 million of borrowings under the Term Loan, and the borrowing base amounted to approximately \$104.0 million. At June 30, 2005, the weighted average interest rate was 5.00% on borrowings under

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the Revolving Credit Facility and the interest rate was 4.74% on borrowings under the Term Loan. Approximately \$65.3 million of the Revolving Credit Facility was available for borrowing at June 30, 2005. The Term Loan is payable in six consecutive equal quarterly installments of \$0.1 million due September 30, 2005 through December 31, 2006, three consecutive equal quarterly installments of \$12.9 million due March 31, 2007 through September 30, 2007 and a final payment of \$12.9 million due at maturity.

At June 30, 2005 and December 31, 2004, one irrevocable standby letter of credit in the amount of \$1.4 million was outstanding as security for our casualty insurance program.

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The ratio of current assets to current liabilities increased to 3.5 to 1 at June 30, 2005 compared to 2.9 to 1 at December 31, 2004 due to a decrease in accounts payable and accrued liabilities, partially offset by decreases in inventories and accounts receivable. At June 30, 2005, our total debt as a percentage of total capitalization increased to 22.8% from 20.0% at December 31, 2004 due to an increase in our debt and stock repurchases under our stock buyback program.

In 2002, we began the development and implementation of a complex comprehensive ERP system consisting of financial modules, order management, order fulfillment, billing, cash collection, service management and sales compensation. In conjunction with the ERP implementation, we experienced certain processing inefficiencies affecting billings and delays in implementing certain automated collection tools, which impacted accounts receivable levels. We have provided for collection losses on the increase in accounts receivable at rates higher than our historical experience. However, if collection losses related to accounts receivable are higher than the amounts provided, we would recognize an additional increase in our provision for bad debt.

Our cash flows from operations, together with borrowings under the Credit Agreement, are expected to adequately finance our ordinary operating cash requirements and capital expenditures for the foreseeable future. We expect to fund further expansion and long-term growth primarily with cash flows from operations, together with borrowings under the Credit Agreement and possible future sales of additional equity or debt securities.

Net cash provided by operating activities was \$35.6 million for the six months ended June 30, 2005 compared with \$24.9 million for the six months ended June 30, 2004. Net income was \$8.2 million and \$10.8 million for the six months ended June 30, 2005 and 2004, respectively. Non-cash charges, which included depreciation and amortization, provisions for bad debt, inventory obsolescence and share-based compensation expense in the aggregate provided cash of \$37.6 million and \$44.4 million for the six months ended June 30, 2005 and 2004, respectively. Changes in the principal components of working capital required \$8.9 million and \$26.3 million of cash for the six months ended June 30, 2005 and 2004, respectively. Of the \$8.9 million increase in our working capital requirements for the six months ended June 30, 2005, \$25.7 million resulted from a decrease in accounts payable and accrued liabilities consisting of \$16.6 million related to timing of payments for inventory shipped from Asia in late 2004, \$5.0 million of incentive compensation payments and \$4.1 related to timing of other payments. This was partially offset by a decrease in inventories of \$12.5 million due to reduced inventory levels and a decrease in accounts receivable of \$3.6 million resulting from improved collection activity. Of the \$26.3 million increase in our working capital requirements for the six months ended June 30, 2004, \$17.3 million resulted from an increase in accounts receivable due to delays in collections resulting from customer inquiries related to changes our billing policies and invoice format, an increase in billing adjustment activity, the temporary suspension of account statement and collection notice mailings on delinquent amounts and delays in the implementation of automated tools to assist in the collection activities associated with the implementation of our ERP system, an increase in accrued billings of approximately \$3.8 million and a decrease in advance billings of \$2.2 million, both relating to timing of invoicing to customers and a decrease in accounts payable and accrued liabilities of approximately \$6.4 million primarily relating to timing of inventory and other payments. This was partially offset by a decrease in inventory levels of \$3.5 million.

Net cash used in investing activities was \$27.7 million and \$37.7 million for the six months ended June 30, 2005 and 2004, respectively. Investment in rental equipment assets totaled \$20.2 million and \$21.3 million for the six months ended June 30, 2005 and 2004, respectively. The slight reduction in the level of rental asset expenditures resulted from lower facsimile placements,

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offset by higher copier/MFP placements. Capital expenditures for property, plant and equipment were \$3.1 million and \$6.7 million for the six months ended June 30, 2005 and 2004, respectively, of which the investment in our ERP system accounted for \$1.6 million and \$2.8 million, respectively. During the six months ended June 30, 2005, we acquired two independent dealers to expand our sales and service capabilities and during the six months ended June 30, 2004, we acquired two independent dealers to expand our sales and service capabilities as described in Note 11 of our "Notes to Consolidated Financial Statements" included in Item I herein.

Net cash used in financing activities was \$8.7 million for the six months ended June 30, 2005 compared with net cash provided by financing activities of \$0.5 million for the six months ended June 30, 2004. Net borrowings under the Revolving Credit Facility were \$10.5 million for the six months ended June 30, 2005 compared with \$10.0 million for the six months ended June 30, 2004. For the six months ended June 30, 2005 and 2004, cash was used to repurchase 796,784 shares of our stock at a cost of \$22.3 million and 298,900 shares at a cost of \$12.3 million, respectively.

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During the six month period ended June 30, 2005, we had no material changes in our contractual obligations and commitments. We had no material commitments other than supply agreements with vendors that extend only to equipment supplies and parts ordered under purchase orders; there are no long-term purchase requirements. We will continue to make additional investments in facilities, rental equipment, computer equipment and systems and our distribution network as required to support our operations. We anticipate investments in rental equipment assets for new and replacement programs in amounts consistent with the recent past. We estimate that we will spend approximately \$1.8 million over the remainder of 2005 to continue to enhance our information systems infrastructure and implement our ERP system.

RISK FACTORS THAT COULD CAUSE RESULTS TO VARY

Risk factors relating to our business

The document imaging and management industry is undergoing an evolution in product offerings, moving toward the use of networked, digital and color technology in a multifunctional office environment. Our continued success will depend to a great extent on our ability to respond to this changing environment by developing new options and document imaging solutions for our customers.

The proliferation of e-mail, multifunctional products and other technologies in the workplace has led to a reduction in the use of traditional copiers and facsimile machines. We must be able to continue to obtain products with the appropriate technological advancements in order to remain successful. We cannot anticipate whether other technological advancements will substantially minimize the need for our products in the future.

The document imaging solutions industry is very competitive; we may be unable to compete favorably, causing us to lose sales to our competitors, many of whom are substantially larger and possess greater financial resources. Our future success depends, in part, on our ability to deliver enhanced products, service packages and business processes such as e-commerce capabilities, while also offering competitive price levels.

In order to be successful, we must retain and motivate executives and other key employees, including those in managerial, financial, technical, sales, marketing and IT support positions. The loss of key employees could have an

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adverse effect on our operations.

Our ability to achieve and maintain consistent revenue growth and earnings is dependent upon new copier/MFP equipment placements, as well as sales of services and supplies occurring after the initial equipment placements of our copier/MFP products. The inability to place new equipment and capture the aftermarket supplies and service revenue would have an adverse affect on our results of operations and financial condition.

An acceleration in the rate of decline in facsimile revenues greater than our forecast, could have an adverse affect on our results of operations and financial condition.

We rely on outside suppliers to manufacture the products that we distribute, many of whom are located in Asia. In addition, our primary suppliers sell products in competition with us, either directly or through dealer channels. Four manufacturers supply a significant portion of our new copier and multifunctional equipment. If these manufacturers discontinue their products or are unable to deliver us products in the future or if political changes, economic disruptions or natural disasters occur where their production facilities are located, we will be forced to identify an alternative supplier or suppliers for the affected product. In addition, although we have worked with our suppliers and freight forwarders to mitigate the potential impacts of an outbreak of infectious disease affecting our supply chain, should our manufacturers become affected by epidemics of infectious diseases, we could be forced to identify an alternative supplier or suppliers for the affected product. Although we are confident that we can identify alternate sources of supply, we may not be successful in doing so. Even if we are successful, the replacement product may be more expensive or may lack certain features of the discontinued product and we may experience some delay in obtaining the product. Other events that disrupt the shipment to or receipt of ocean freight at U.S. ports, such as labor unrest, war or terrorist activity could delay, prevent or add substantial cost to our receipt of such products. Any of these events would cause disruption to our customers and could have an adverse effect on our business.

We have a geographic dispersion of business and assets located across North America and the United Kingdom comprised of our sales, service and distribution facilities. Changes in international, national or political conditions, including terrorist attacks could impact the sales, service and distribution of our products to our customers and could have an adverse effect on our business.

A portion of our international business is transacted in local currency. Currently, approximately 10% of our total product purchases, based on costs, are denominated in yen. The majority of our remaining product purchases are denominated in U.S. dollars and are produced by Japanese suppliers in manufacturing facilities located in China. The Chinese government's revaluation of the Chinese yuan, also known as the renminbi, the increase in the nominal value of the yuan and the resultant impact on the exchange rate of the Chinese yuan and the U.S. dollar could have a negative impact on our product cost. We do not currently

utilize any form of derivative financial instruments to manage our exchange rate risk. We attempt to pass through to our customers any cost increases related to foreign currency exchange. However, no assurance can be given that we will be successful in passing cost increases through to our customers in the future.

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Pitney Bowes has been and is expected to continue to be a significant customer. For the three months ended June 30, 2005 and 2004, revenues from Pitney Bowes, exclusive of equipment sales to PBCC for lease to the end user, accounted for approximately 4% and 5%, respectively, of our total revenue and for the six months ended June 30, 2005 and 2004, accounted for approximately 4% and 7% of our total revenue, respectively. However, we believe that Pitney Bowes has established relationships with other equipment vendors and no assurance can be given that Pitney Bowes will continue to purchase our products and services.

In connection with the Distribution, Imagistics and Pitney Bowes entered into a non-exclusive intellectual property agreement that allowed us to operate under the "Pitney Bowes" brand name for a term of up to two years after the Distribution. In 2002, we began introducing new products under the "Imagistics" brand name and we initiated a major brand awareness advertising campaign to establish our new brand name. Effective December 2003, we no longer use the Pitney Bowes brand name and all new products are introduced under the Imagistics brand name. Brand name recognition is an important part of our overall business strategy and we cannot assure you that customers will maintain the same level of interest in our products now that we can no longer use the Pitney Bowes brand name.

Risk factors relating to our ERP system implementation

In 2002, we began the development and implementation of a complex comprehensive ERP system consisting of financial modules, order management, order fulfillment, billing, cash collection, service management and sales compensation. In conjunction with the ERP implementation, we experienced certain processing inefficiencies affecting billings and delays in implementing certain automated collection tools, which impacted accounts receivable levels. We have provided for collection losses on the increase in accounts receivable at rates higher than our historical experience. However, if collection losses related to accounts receivable are higher than the amounts provided, we would recognize an additional increase in our provision for bad debt.

We are in the process of implementing the automated calculation of sales compensation and plan to begin paying based on the ERP calculation in the third quarter of 2005. Should we experience issues with the automated calculation of sales compensation, we would have to return to the alternate methodology to calculate and pay sales compensation.

We remain engaged in a period of stabilization, as is typical of a large ERP system implementation. We anticipate that we will resolve the issues related to our ERP system implementation that are impacting our customer billings, accounts receivable and sales compensation. However, if we are unable to do so in a reasonable time frame, these issues could have a negative impact on customer and employee satisfaction and retention, which could result in a potential loss of business. Although no assurance can be given that these efforts related to customer billings, accounts receivable and sales compensation will be successful in the time periods expected, other than the temporary increase in working capital requirements, we do not anticipate that these issues will have a material adverse effect on our financial position, results of operations or future cash flows.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

Statements contained in this discussion and elsewhere in this report that are not purely historical are forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, and are based on management's beliefs, certain assumptions and current expectations. These statements may be identified by their use of forward-looking terminology such as the words "expects", "projects", "anticipates", "intends" and other similar words. Such forward-looking statements involve risks and uncertainties that

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could cause actual results to differ materially from those projected. The forward-looking statements contained herein are made as of the date hereof and we do not undertake any obligation to update any forward-looking statements, whether as a result of future events, new information or otherwise.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have certain limited exposures to market risk related to changes in interest rates and foreign currency exchange rates. Currently, we do not utilize any form of derivative financial instruments to manage our interest rate risk or our exchange rate risk. We attempt to pass through to our customers any cost increases related to foreign currency exchange. In addition, we are exposed to foreign exchange rate fluctuations with respect to the British Pound and the Canadian Dollar as the financial results of our U.K. subsidiary and Canadian subsidiaries are translated into U.S. dollars for consolidation. The effect of foreign exchange rate fluctuation for the quarter ended June 30, 2005 was not material.

ITEM 4. CONTROLS AND PROCEDURES

Restatement of first quarter financial results

Subsequent to the issuance of our March 31, 2005 financial statements, we discovered an error in the calculation of share-based compensation expense in accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment," related to the recognition of share-based compensation expense for awards subject to acceleration of vesting for retirement eligible employees. The error resulted in a \$1.1 million understatement of share-based compensation expense in the quarterly period ended March 31, 2005. The restatement reflected adjustments, which were corrections of errors in the application of U.S. generally accepted accounting principles (GAAP) related to our early adoption of SFAS No. 123(R) for the non-substantive vesting conditions for retirement eligible employees.

Disclosure controls and procedures

We are responsible for maintaining disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, (the "Exchange Act") as amended, that are designed to ensure that information required to be disclosed in the Company's filings under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

Because of the inherent limitations in all control systems, internal control over financial reporting may not prevent or detect misstatements. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We carried out an evaluation, under the supervision and with the participation of our management, including our CEO and our CFO, of the

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effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2005. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2005.

Changes in internal control/remediation of material weakness in internal control

As of the filing date of our amended Form 10-Q for the quarterly period ended March 31, 2005, we fully remediated the material weakness in our internal control over financial reporting with respect to accounting for share-based compensation expense under SFAS No. 123(R). The remediation actions included enhancing the process used to prepare and review the calculation of share-based compensation expense under the provisions of SFAS No. 123(R) and strengthening our internal process to analyze and interpret new accounting pronouncements and related interpretations.

During our evaluation of the effectiveness of the design and operation of internal control over financial reporting as of December 31, 2004, management identified certain significant deficiencies, as defined in Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements." Two of the significant deficiencies related to the maintenance of documentation and the validation of the accuracy of certain components of our sales compensation program. We anticipate that these deficiencies will be remediated in the third quarter of 2005 upon use of the ERP system to pay sales compensation. Two significant deficiencies exist related to the timing of certain billing and invoice adjustment activities. Management is implementing procedures to refine its processes surrounding these items. One significant deficiency related to an immaterial unreconciled difference in accounts receivable arising during the transition to our ERP system was remediated in the second quarter of 2005.

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In 2002, we began the development and implementation of a complex comprehensive ERP system and as a result, we remain in a period of stabilization and clean up. During this period, we are refining our procedures surrounding order management and fulfillment, billing, cash application, service management, sales compensation and collections, and the controls surrounding processing in these areas have been adjusted accordingly. For additional details, see Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Risk Factors that Could Cause Results to Vary."

Other than the remedial action described above, there have been no changes in the Company's internal control over financial reporting that occurred during the quarterly period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In connection with the Distribution, we agreed to assume all liabilities associated with our business, and to indemnify Pitney Bowes for all claims

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relating to our business. In the normal course of business, we have been party to occasional lawsuits relating to our business. These may involve litigation or other claims by or against Pitney Bowes or Imagistics relating to, among other things, contractual rights under vendor, insurance or other contracts, trademark, patent and other intellectual property matters, equipment, service or payment disputes with customers, bankruptcy preference claims and disputes with employees.

We have not recorded liabilities for loss contingencies since the ultimate resolutions of the legal matters cannot be determined and a minimum cost or amount of loss cannot be reasonably estimated. In our opinion, none of these proceedings, individually or in the aggregate, should have a material adverse effect on our consolidated financial position, results of operations or cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information with respect to the purchase of shares of our common stock under the stock buyback program during each month in the second quarter of 2005, which includes shares repurchased in connection with tax withholdings on restricted stock:

(Dollars in thousands, except per share data)

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLAN
-----	-----	-----	-----
April 1, 2005 - April 30, 2005	--	\$ --	--
May 1, 2005 - May 31, 2005	470,900	\$ 26.55	470,900
June 1, 2005 - June 30, 2005	182,520	\$ 28.15	182,520
	-----		-----
Total	653,420	\$ 27.00	653,420
	=====		=====

In March 2002, the Board of Directors approved a \$30.0 million stock buyback program. In October 2002, the Board of Directors authorized the repurchase of an additional \$28.0 million of our stock, raising the total authorization to \$58.0 million. In July 2003, the Board of Directors authorized the repurchase of an additional \$20.0 million of our stock, raising the total authorization to \$78.0 million. In May 2004, the Board of Directors authorized the repurchase of an additional \$30.0 million of our stock, raising the total authorization to \$108.0 million. In June 2005, the Board of Directors authorized the repurchase of an additional \$30.0 million, raising the total authorization to \$138.0 million. As of June 30, 2005, on a cumulative basis, we have repurchased approximately 4.7 million shares of Imagistics stock at a cost of approximately \$111.1 million. The stock buyback program has no fixed termination date.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At our annual meeting of stockholders held on May 10, 2005, two proposals were voted upon by our stockholders. A brief discussion of each proposal voted upon at the annual meeting and the number of votes cast for, against and withheld, as well as the number of abstentions to each proposal are set forth below.

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A vote was taken for the election of two directors to hold office until our 2008 annual meeting of stockholders and until their respective successors shall have been duly elected. The aggregate numbers of shares of common stock voted in person or by proxy for each nominee were as follows:

NOMINEE	FOR	WITHHELD
Marc C. Breslawsky	14,176,208	747,888
Craig R. Smith	14,631,826	292,270

Other directors include Thelma R. Albright and Ira D. Hall, whose terms of office expire in 2006, and T. Kevin Dunnigan, James A. Thomas and Ronald L. Turner, whose terms of office expire in 2007.

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A vote was taken on the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our auditors for the fiscal year ending December 31, 2005. The aggregate numbers of shares of common stock voted on this proposal in person or by proxy were as follows:

FOR	AGAINST	ABSTAIN
14,617,205	296,502	10,389

Each of the listed proposals were approved by the stockholders in accordance with our certificate of incorporation, bylaws and the Delaware General Corporation Law. There were no broker non-votes for either matter.

The foregoing proposals are described more fully in our definitive proxy statement dated March 31, 2005, filed with the United States Securities and Exchange Commission pursuant to Section 14 (a) of the Securities Act of 1934, as amended, and the rules and regulations promulgated thereunder.

ITEM 6. EXHIBITS

The following documents are filed as exhibits hereto:

EXHIBIT NUMBER	DESCRIPTION
3.1	Amended and Restated Certificate of Incorporation (3)
3.2	Amended and Restated Bylaws (1)
3.3	Certificate of Designation of Series A Junior Participating Preferred Stock, dated August 1, 2002 (6)
4.1	Form of Imagistics International Inc. Common Stock Certificate (1)
10.1	Tax Separation Agreement between Pitney Bowes Inc. and Imagistics International Inc. (3)
10.2	Transition Services Agreement between Pitney Bowes Inc. and Imagistics International Inc. (3)
10.3	Distribution Agreement between Pitney Bowes Inc. and Imagistics International Inc. (3)

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- 10.4 Intellectual Property Agreement between Pitney Bowes Inc. and Imagistics International Inc. (3)
- 10.5 Reseller Agreement between Pitney Bowes Management Services and Imagistics International Inc. (3)
- 10.6 Reseller Agreement between Pitney Bowes of Canada and Imagistics International Inc. (3)
- 10.7 Vendor Financing Agreement between Pitney Bowes Credit Corporation and Imagistics International Inc. (3)
- 10.8 Form of Sublease Agreement between Pitney Bowes Inc. and Imagistics International Inc. (2)
- 10.9 Form of Sublease and License Agreement between Pitney Bowes Inc. and Imagistics International Inc. (2)
- 10.10 Form of Assignment and Novation Agreement between Pitney Bowes Inc. and Imagistics International Inc. (2)
- 10.11 Imagistics International Inc. 2001 Stock Plan (1)
- 10.12 Imagistics International Inc. Key Employees' Incentive Plan (3)
- 10.13 Imagistics International Inc. Non-Employee Directors' Stock Plan (1)
- 10.14 Letter Agreement between Pitney Bowes Inc. and Marc C. Breslawsky (1)
- 10.15 Letter Agreement between Pitney Bowes Inc. and Joseph D. Skrzypczak (1)
- 10.16 Letter Agreement between Pitney Bowes Inc. and Mark S. Flynn (1)
- 10.17 Credit Agreement between Imagistics International Inc. and Merrill Lynch & Co., Merrill Lynch, Pierce Fenner & Smith Incorporated, as Syndication Agent, Fleet Capital Corporation, as Administrative Agent (3)
- 10.18 Rights Agreement between Imagistics International Inc. and EquiServe Trust Company, N.A. (3)
- 10.19 Employment Agreement between Imagistics International Inc. and Marc C. Breslawsky (3)
- 10.20 Employment Agreement between Imagistics International Inc. and Joseph D. Skrzypczak (3)
- 10.21 Employment Agreement between Imagistics International Inc. and Christine B. Allen (3)
- 10.22 Employment Agreement between Imagistics International Inc. and John C. Chillock (3)
- 10.23 Employment Agreement between Imagistics International Inc. and Chris C. Dewart (3)
- 10.24 Employment Agreement between Imagistics International Inc. and Mark S. Flynn (3)
- 10.25 Employment Agreement between Imagistics International Inc. and

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Nathaniel M. Gifford (3)

- 10.26 Employment Agreement between Imagistics International Inc. and Joseph W. Higgins (3)
- 10.27 Amendment No. 1 to Credit Agreement between Imagistics International Inc. and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent, Fleet Capital Corporation, as Administrative Agent, and the Lenders identified therein (4)
- 10.28 Amendment No. 2 to Credit Agreement between Imagistics International Inc. and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent, Fleet Capital Corporation, as Administrative Agent, and the Lenders identified therein (5)
- 10.29 First Amendment to Imagistics International Inc. 2001 Stock Plan (6)
- 10.30 First Amendment to Rights Agreement between Imagistics International Inc. and EquiServe Trust Company, N.A. (6)

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- 10.31 Amendment No. 3 to Credit Agreement between Imagistics International Inc. and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent, Fleet Capital Corporation, as Administrative Agent, and the Lenders identified therein (7)
- 10.32 Amendment No. 1 to Transition Services Agreement between Pitney Bowes Inc. and Imagistics International Inc. (8)
- 10.33 Amendment No. 4 to Credit Agreement between Imagistics International Inc. and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent, Fleet Capital Corporation, as Administrative Agent, and the Lenders identified therein (9)
- 10.34 Reseller Agreement between Pitney Bowes of Canada Ltd. and Imagistics International Inc. (10)
- 10.35 Amendment No. 5 to Credit Agreement between Imagistics International Inc. and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent, Fleet Capital Corporation, as Administrative Agent, and the Lenders identified therein (11)
- 10.36 Amendment No. 6 to Credit Agreement between Imagistics International Inc. and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent, Fleet Capital Corporation, as Administrative Agent, and the Lenders identified therein (12)
- 10.37 Second Amendment to the Imagistics International Inc. Employee Stock Purchase Plan (13)
- 10.38 Employment Agreement dated as of January 8, 2005 between Imagistics International Inc. and Marc C. Breslawsky (14)
- 10.39 Employment Agreement dated as of January 8, 2005 between Imagistics International Inc. and Joseph D. Skrzypczak (14)
- 10.40 Employment Agreement dated as of January 8, 2005 between Imagistics International Inc. and Christine B. Allen (14)

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- 10.41 Employment Agreement dated as of January 8, 2005 between Imagistics International Inc. and John C. Chillock (14)
- 10.42 Employment Agreement dated as of January 8, 2005 between Imagistics International Inc. and George E. Clark (14)
- 10.43 Employment Agreement dated as of January 8, 2005 between Imagistics International Inc. and Timothy E. Coyne (14)
- 10.44 Employment Agreement dated as of January 8, 2005 between Imagistics International Inc. and Chris C. Dewart (14)
- 10.45 Employment Agreement dated as of January 8, 2005 between Imagistics International Inc. and Mark S. Flynn (14)
- 10.46 Employment Agreement dated as of January 8, 2005 between Imagistics International Inc. and Nathaniel M. Gifford (14)
- 10.47 Employment Agreement dated as of January 8, 2005 between Imagistics International Inc. and William H. Midgley (14)
- 10.47 Employment Agreement dated as of January 8, 2005 between Imagistics International Inc. and John R. Reilly (14)
- 10.48 Form of Non-Qualified Stock Option Award Agreement to 2001 Stock Plan (14)
- 10.49 Form of Restricted Stock Award Agreement to 2001 Stock Plan (14)
- 10.50 Amendment to the Imagistics International Inc. Non-Employee Directors' Stock Plan (15)
- 10.51 Form of Non-Employee Directors' Stock Plan Agreement to 2001 Stock Plan (15)
- 10.52 Amendment No. 7 to Credit Agreement between Imagistics International Inc. and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent, Bank of America, as Administrative Agent, and the Lenders identified therein (16)
- 31.1 Certification of the Chief Executive Officer Pursuant to Securities Exchange Act Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of the Chief Financial Officer Pursuant to Securities Exchange Act Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32 Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

- (1) Incorporated by reference to Amendment No. 1 to the Registrant's Form 10 filed July 13, 2001.
- (2) Incorporated by reference to Amendment No. 2 to the Registrant's Form 10 filed August 13, 2001.
- (3) Incorporated by reference to the Registrant's Form 10-K filed March 28, 2002.

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- (4) Incorporated by reference to the Registrant's Form 10-Q filed May 14, 2002.
- (5) Incorporated by reference to the Registrant's Form 8-K filed July 23, 2002.
- (6) Incorporated by reference to the Registrant's Form 10-Q filed August 14, 2002.
- (7) Incorporated by reference to the Registrant's Form 8-K filed March 7, 2003.
- (8) Incorporated by reference to the Registrant's Form 10-K filed March 28, 2003.
- (9) Incorporated by reference to the Registrant's Form 8-K filed May 21, 2003.
- (10) Incorporated by reference to the Registrant's Form 10-K filed March 12, 2004.
- (11) Incorporated by reference to the Registrant's Form 10-Q filed May 10, 2004.
- (12) Incorporated by reference to the Registrant's Form 10-Q filed August 3, 2004.
- (13) Incorporated by reference to the Registrant's Form 10-Q filed November 9, 2004.
- (14) Incorporated by reference to the Registrant's Form 8-K filed January 13, 2005.
- (15) Incorporated by reference to the Registrant's Form 10-K filed March 10, 2005.
- (16) Incorporated by reference to the Registrant's Form 10-Q/A filed June 17, 2005.

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SIGNATURES

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

Date: August 5, 2005

Imagistics International Inc.

(Registrant)

By /s/ Timothy E. Coyne

Name: Timothy E. Coyne
Title: Chief Financial Officer
and Authorized Signatory

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