

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 March 31, 2019
- 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: 1-7945



DELUXE CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

3680 Victoria St. N., Shoreview, Minnesota

(Address of principal executive offices)

41-0216800

(I.R.S. Employer Identification No.)

55126-2966

(Zip Code)

(651) 483-7111

(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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$1.00 per share	DLX	New York Stock Exchange

The number of shares outstanding of registrant's common stock, par value \$1.00 per share, as of April 23, 2019 was 43,638,328.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

DELUXE CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except share par value)
(Unaudited)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 61,529	\$ 59,740
Trade accounts receivable, net of allowances for uncollectible accounts	156,840	173,862
Inventories and supplies	45,052	46,441
Funds held for customers	92,954	100,982
Revenue in excess of billings	33,911	30,458
Other current assets	40,862	38,563
Total current assets	431,148	450,046
Deferred income taxes	4,102	2,886
Long-term investments	44,422	43,773
Property, plant and equipment (net of accumulated depreciation of \$371,323 and \$367,205, respectively)	89,926	90,342
Operating lease assets	48,494	—
Intangibles (net of accumulated amortization of \$563,511 and \$535,627, respectively)	339,639	359,965
Goodwill	1,160,821	1,160,626
Assets held for sale	1,350	1,350
Other non-current assets	202,509	196,108
Total assets	\$ 2,322,411	\$ 2,305,096
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 91,781	\$ 106,978
Accrued liabilities	264,668	284,281
Long-term debt due within one year	—	791
Total current liabilities	356,449	392,050
Long-term debt	946,000	911,073
Operating lease liabilities	36,087	—
Deferred income taxes	49,567	46,680
Other non-current liabilities	36,745	39,880
Commitments and contingencies (Notes 13 and 14)		
Shareholders' equity:		
Common shares \$1 par value (authorized: 500,000 shares; outstanding: March 31, 2019 – 43,638; December 31, 2018 – 44,647)	43,638	44,647
Retained earnings	908,614	927,345
Accumulated other comprehensive loss	(54,689)	(56,579)
Total shareholders' equity	897,563	915,413
Total liabilities and shareholders' equity	\$ 2,322,411	\$ 2,305,096

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share amounts)
(Unaudited)

	Quarter Ended March 31,	
	2019	2018
Product revenue	\$ 350,519	\$ 363,407
Service revenue	148,546	128,507
Total revenue	499,065	491,914
Cost of products	(131,263)	(133,371)
Cost of services	(68,360)	(55,387)
Total cost of revenue	(199,623)	(188,758)
Gross profit	299,442	303,156
Selling, general and administrative expense	(230,177)	(211,154)
Restructuring and integration expense	(5,492)	(2,145)
Asset impairment charges	—	(2,149)
Operating income	63,773	87,708
Interest expense	(9,301)	(5,579)
Other income	1,766	1,289
Income before income taxes	56,238	83,418
Income tax provision	(15,048)	(20,082)
Net income	\$ 41,190	\$ 63,336
Comprehensive income	\$ 43,080	\$ 61,565
Basic earnings per share	0.93	1.32
Diluted earnings per share	0.93	1.31

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Common shares	Common shares par value	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2018	44,647	\$ 44,647	\$ —	\$ 927,345	\$ (56,579)	\$ 915,413
Net income	—	—	—	41,190	—	41,190
Cash dividends (\$0.30 per share)	—	—	—	(13,170)	—	(13,170)
Common shares issued	86	86	1,862	—	—	1,948
Common shares repurchased	(1,038)	(1,038)	(2,478)	(46,484)	—	(50,000)
Other common shares retired	(57)	(57)	(2,615)	—	—	(2,672)
Employee share-based compensation	—	—	3,231	—	—	3,231
Adoption of Accounting Standards Update No. 2016-02 (Note 2)	—	—	—	(267)	—	(267)
Other comprehensive income	—	—	—	—	1,890	1,890
Balance, March 31, 2019	<u>43,638</u>	<u>\$ 43,638</u>	<u>\$ —</u>	<u>\$ 908,614</u>	<u>\$ (54,689)</u>	<u>\$ 897,563</u>

	Common shares	Common shares par value	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2017	47,953	\$ 47,953	\$ —	\$ 1,004,657	\$ (37,597)	\$ 1,015,013
Net income	—	—	—	63,336	—	63,336
Cash dividends (\$0.30 per share)	—	—	—	(14,417)	—	(14,417)
Common shares issued	249	249	7,457	—	—	7,706
Common shares repurchased	(278)	(278)	(4,373)	(15,345)	—	(19,996)
Other common shares retired	(83)	(83)	(6,046)	—	—	(6,129)
Employee share-based compensation	—	—	2,962	—	—	2,962
Adoption of Accounting Standards Update No. 2014-09	—	—	—	4,966	—	4,966
Adoption of Accounting Standards Update No. 2018-02	—	—	—	6,867	(6,867)	—
Other comprehensive loss	—	—	—	—	(1,771)	(1,771)
Balance, March 31, 2018	<u>47,841</u>	<u>\$ 47,841</u>	<u>\$ —</u>	<u>\$ 1,050,064</u>	<u>\$ (46,235)</u>	<u>\$ 1,051,670</u>

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Quarter Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 41,190	\$ 63,336
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,245	3,675
Amortization of intangibles	28,174	27,466
Amortization of operating lease assets	4,030	—
Asset impairment charges	—	2,149
Amortization of prepaid product discounts	5,757	5,408
Deferred income taxes	1,640	(233)
Employee share-based compensation expense	3,760	2,962
Loss (gain) on sales of businesses and customer lists	99	(7,228)
Other non-cash items, net	3,038	1,361
Changes in assets and liabilities, net of effect of acquisitions:		
Trade accounts receivable	15,927	12,763
Inventories and supplies	1,322	(189)
Other current assets	(6,231)	(3,536)
Non-current assets	(1,557)	(2,444)
Accounts payable	(15,069)	(3,789)
Prepaid product discount payments	(9,189)	(5,364)
Other accrued and non-current liabilities	(31,737)	(15,549)
Net cash provided by operating activities	<u>45,399</u>	<u>80,788</u>
Cash flows from investing activities:		
Purchases of capital assets	(14,619)	(14,034)
Payments for acquisitions, net of cash acquired	(444)	(52,369)
Purchases of customer funds marketable securities	(42)	(46)
Proceeds from customer funds marketable securities	42	46
Other	236	(450)
Net cash used by investing activities	<u>(14,827)</u>	<u>(66,853)</u>
Cash flows from financing activities:		
Proceeds from issuing long-term debt	82,500	824,625
Payments on long-term debt	(46,500)	(792,200)
Net change in customer funds obligations	(9,908)	10,293
Proceeds from issuing shares under employee plans	1,548	5,169
Employee taxes paid for shares withheld	(2,672)	(4,557)
Payments for common shares repurchased	(50,000)	(19,996)
Cash dividends paid to shareholders	(13,118)	(14,393)
Other	(1,257)	(3,205)
Net cash (used) provided by financing activities	<u>(39,407)</u>	<u>5,736</u>
Effect of exchange rate change on cash, cash equivalents, restricted cash and restricted cash equivalents	2,076	(2,011)
Net change in cash, cash equivalents, restricted cash and restricted cash equivalents	<u>(6,759)</u>	<u>17,660</u>
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of year	145,259	128,819
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period (Note 3)	<u>\$ 138,500</u>	<u>\$ 146,479</u>

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Note 1: Consolidated financial statements

The consolidated balance sheet as of March 31, 2019, the consolidated statements of comprehensive income for the quarters ended March 31, 2019 and 2018, the consolidated statements of shareholders' equity for the quarters ended March 31, 2019 and 2018, and the consolidated statements of cash flows for the quarters ended March 31, 2019 and 2018 are unaudited. The consolidated balance sheet as of December 31, 2018 was derived from audited consolidated financial statements, but does not include all disclosures required by generally accepted accounting principles (GAAP) in the United States of America. In the opinion of management, all adjustments necessary for a fair statement of the consolidated financial statements are included. Adjustments consist only of normal recurring items, except for any discussed in the notes below. Interim results are not necessarily indicative of results for a full year. The consolidated financial statements and notes are presented in accordance with instructions for Form 10-Q and do not contain certain information included in our annual consolidated financial statements and notes. The consolidated financial statements and notes appearing in this report should be read in conjunction with the consolidated audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Form 10-K").

Amounts within cash flows from operating activities on the consolidated statement of cash flows for the quarter ended March 31, 2018 have been modified to conform to the current year presentation. Loss (gain) on sales of businesses and customer lists is now presented separately. In the previous year, this amount was included within other non-cash items, net.

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Restricted Cash*. This standard requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, restricted cash and restricted cash equivalents. This standard was effective for us on January 1, 2018 and was required to be applied retrospectively. During the quarter ended December 31, 2018, we identified a misstatement in our statement of cash flows presentation under this standard. We concluded that the cash and cash equivalents included in funds held for customers should be included with cash, cash equivalents, restricted cash and restricted cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows, in accordance with ASU No. 2016-18. Additionally, we determined that gross redemptions and purchases of marketable debt securities included in funds held for customers should be presented as cash flows from investing activities in the statements of cash flows. This misstatement affected our consolidated statements of cash flows as presented in our 2018 Quarterly Reports on Form 10-Q.

We assessed the materiality of this misstatement on prior periods' financial statements in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 99, *Materiality*, codified in Accounting Standards Codification (ASC) 250, *Presentation of Financial Statements*. We concluded that the misstatement was not material to any prior interim period and therefore, amendments of previously filed reports are not required. In accordance with ASC 250, we have corrected the misstatement for all prior periods presented by revising the consolidated financial statements appearing herein. Periods not presented herein will be revised, as applicable, in future filings. The revisions had no impact on total assets, total liabilities, shareholders' equity, net income or net cash provided by operating activities.

The impact of the revisions on our consolidated statement of cash flows for the quarter ended March 31, 2018 was as follows:

(in thousands)	Previously reported	Adjustment	Revised
Purchases of customer funds marketable securities	\$ —	\$ (46)	\$ (46)
Proceeds from customer funds marketable securities	—	46	46
Net cash used by investing activities	(66,853)	—	(66,853)
Net change in customer funds obligations	—	10,293	10,293
Net cash (used) provided by financing activities	(4,557)	10,293	5,736
Effect of exchange rate change on cash, cash equivalents, restricted cash and restricted cash equivalents	(890)	(1,121)	(2,011)
Net change in cash, cash equivalents, restricted cash and restricted cash equivalents	8,488	9,172	17,660
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of year	59,240	69,579	128,819
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period	\$ 67,728	\$ 78,751	\$ 146,479

DELUXE CORPORATION
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Note 2: New accounting pronouncements

ASU No. 2016-02 – In February 2016, the FASB issued ASU No. 2016-02, *Leasing*. This standard is intended to increase transparency and comparability among organizations by requiring the recognition of lease right-of-use assets and lease liabilities for virtually all leases and by requiring the disclosure of key information about leasing arrangements. In July 2018, the FASB issued two amendments to ASU No. 2016-02: ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, which amends narrow aspects of the guidance in ASU No. 2016-02, and ASU No. 2018-11, *Targeted Improvements*, which provides an optional transition method under which comparative periods presented in financial statements in the period of adoption would not be restated. In March 2019, the FASB issued ASU No. 2019-01, *Codification Improvements*. This standard addresses areas identified as companies prepared to implement ASU No. 2016-02. We adopted all of these standards on January 1, 2019, using a modified retrospective approach and the optional transition method under ASU No. 2018-11. As such, prior periods have not been restated to reflect the new guidance.

We elected the practical expedient package outlined in ASU No. 2016-02 under which we did not have to reassess whether an arrangement contains a lease, we carried forward our previous classification of leases as either operating or capital leases, and we did not have to reassess previously recorded initial direct costs. Additionally, we made the following policy elections:

- We excluded leases with original terms of 12 months or less from lease assets and lease liabilities;
- We separated nonlease components, such as common area maintenance charges and utilities, from the associated lease component for real estate leases, based on their estimated fair values; and
- We used the accounting lease term when determining the incremental borrowing rate for leases with renewal options.

Adoption of the standards had a material impact on our consolidated balance sheet, but did not have a significant impact on our consolidated statement of income or our consolidated statement of cash flows. The most significant impact was the recognition of operating lease assets of \$50,803, current operating lease liabilities of \$13,611 and non-current operating lease liabilities of \$37,440 as of January 1, 2019. Our accounting for finance leases remained substantially unchanged.

We determine if an arrangement is a lease at inception by considering whether a contract explicitly or implicitly identifies assets deployed in the arrangement and whether we have obtained substantially all of the economic benefits from the use of the underlying assets and direct how and for what purpose the assets are used during the term of the contract. Operating leases are included in operating lease assets, accrued liabilities and operating lease liabilities in our consolidated balance sheet. Finance leases are included in property, plant and equipment, accrued liabilities and other non-current liabilities in our consolidated balance sheet.

Lease assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As our lease agreements typically do not provide an implicit rate, we use our incremental borrowing rate based on information available at the lease commencement date in determining the present value of lease payments. Certain of our lease agreements include options to extend or terminate the lease. The lease term takes into account these options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense is included in total cost of revenue and in selling, general and administrative (SG&A) expense on the consolidated statement of comprehensive income, and interest on finance leases is included in interest expense on the consolidated statement of comprehensive income. Operating lease expense is recognized on the straight-line basis over the lease term. Information regarding our leases can be found in Note 13.

ASU No. 2016-13 – In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. This standard introduces new guidance for the accounting for credit losses on instruments within its scope, including trade and loans receivable and available-for-sale debt securities. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*, which clarifies that receivables arising from operating leases are not within the scope of ASU No. 2016-13. These standards are effective for us on January 1, 2020 and require adoption using a modified retrospective approach. We do not expect the application of these standards to have a significant impact on our results of operations or financial position.

DELUXE CORPORATION
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

ASU No. 2018-15 – In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement that is a service contract is not affected by the new standard. The guidance is effective for us on January 1, 2020 and may be adopted retrospectively or prospectively to eligible costs incurred on or after the date the guidance is first applied. This new guidance will impact our results of operations and financial position as we currently expense these implementation costs as incurred. As we have not historically tracked these costs separately, we are not able to quantify the expected impact on our consolidated financial statements. We plan to adopt the standard prospectively.

Note 3: Supplemental balance sheet and cash flow information

Allowance for uncollectible accounts – Changes in the allowance for uncollectible accounts for the quarters ended March 31, 2019 and 2018 were as follows:

(in thousands)	Quarter Ended March 31,	
	2019	2018
Balance, beginning of year	\$ 3,639	\$ 2,884
Bad debt expense	1,248	875
Write-offs, net of recoveries	(423)	(905)
Balance, end of period	\$ 4,464	\$ 2,854

Inventories and supplies – Inventories and supplies were comprised of the following:

(in thousands)	March 31,	December 31,
	2019	2018
Raw materials	\$ 7,818	\$ 7,543
Semi-finished goods	7,496	7,273
Finished goods	25,767	27,608
Supplies	3,971	4,017
Inventories and supplies	\$ 45,052	\$ 46,441

Available-for-sale debt securities – Available-for-sale debt securities included within funds held for customers were comprised of the following:

(in thousands)	March 31, 2019			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Funds held for customers: ⁽¹⁾				
Domestic money market fund	\$ 16,000	\$ —	\$ —	\$ 16,000
Canadian and provincial government securities	8,711	—	(219)	8,492
Canadian guaranteed investment certificates	7,491	—	—	7,491
Available-for-sale debt securities	\$ 32,202	\$ —	\$ (219)	\$ 31,983

⁽¹⁾Funds held for customers, as reported on the consolidated balance sheet as of March 31, 2019, also included cash of \$60,971.

DELUXE CORPORATION
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

(in thousands)	December 31, 2018			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Funds held for customers: ⁽¹⁾				
Domestic money market fund	\$ 16,000	\$ —	\$ —	\$ 16,000
Canadian and provincial government securities	8,485	—	(355)	8,130
Canadian guaranteed investment certificates	7,333	—	—	7,333
Available-for-sale debt securities	<u>\$ 31,818</u>	<u>\$ —</u>	<u>\$ (355)</u>	<u>\$ 31,463</u>

⁽¹⁾ Funds held for customers, as reported on the consolidated balance sheet as of December 31, 2018, also included cash of \$69,519.

Expected maturities of available-for-sale debt securities as of March 31, 2019 were as follows:

(in thousands)	Fair value
Due in one year or less	\$ 25,614
Due in two to five years	4,102
Due in six to ten years	2,267
Available-for-sale debt securities	<u>\$ 31,983</u>

Further information regarding the fair value of available-for-sale debt securities can be found in Note 7.

Revenue in excess of billings – Revenue in excess of billings was comprised of the following:

(in thousands)	March 31, 2019	December 31, 2018
Conditional right to receive consideration	\$ 20,364	\$ 19,705
Unconditional right to receive consideration	13,547	10,753
Revenue in excess of billings	<u>\$ 33,911</u>	<u>\$ 30,458</u>

Assets held for sale – During the quarter ended March 31, 2018, we sold the assets of 2 small business distributors. We determined that these businesses would be better positioned for long-term growth if they were managed by independent distributors. Subsequent to the sales, the businesses are owned by independent distributors that are part of our Safeguard® distributor network. As such, our revenue was not impacted by these sales and the impact to our costs was not significant. These sales resulted in aggregate net gains within SG&A expense of \$7,228 for the quarter ended March 31, 2018.

Assets held for sale as of March 31, 2019 and December 31, 2018 consisted of 1 small business customer list with a carrying value of \$1,350. We are actively marketing this asset, and we expect the selling price will equal or exceed its current carrying value.

DELUXE CORPORATION
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Intangibles – Intangibles were comprised of the following:

(in thousands)	March 31, 2019			December 31, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangibles:						
Internal-use software	\$ 397,667	\$ (318,273)	\$ 79,394	\$ 388,477	\$ (308,313)	\$ 80,164
Customer lists/relationships	377,877	(184,144)	193,733	379,570	(170,973)	208,597
Trade names	50,706	(27,923)	22,783	50,645	(26,204)	24,441
Technology-based intangibles	39,300	(15,984)	23,316	39,300	(14,007)	25,293
Software to be sold	36,900	(16,487)	20,413	36,900	(15,430)	21,470
Other	700	(700)	—	700	(700)	—
Intangibles	\$ 903,150	\$ (563,511)	\$ 339,639	\$ 895,592	\$ (535,627)	\$ 359,965

During the quarter ended March 31, 2019, we purchased internal-use software of \$9,018, with a weighted-average amortization period of 3 years. Amortization of intangibles was \$28,174 for the quarter ended March 31, 2019 and \$27,466 for the quarter ended March 31, 2018. Based on the intangibles in service as of March 31, 2019, estimated future amortization expense is as follows:

(in thousands)	Estimated amortization expense
Remainder of 2019	\$ 64,770
2020	73,171
2021	56,320
2022	40,094
2023	29,628

Goodwill – Changes in goodwill during the quarter ended March 31, 2019 were as follows:

(in thousands)	Small Business Services	Financial Services	Direct Checks	Total
Balance, December 31, 2018:				
Goodwill, gross	\$ 765,266	\$ 373,421	\$ 148,506	\$ 1,287,193
Accumulated impairment charges	(126,567)	—	—	(126,567)
Goodwill, net of accumulated impairment charges	638,699	373,421	148,506	1,160,626
Currency translation adjustment	195	—	—	195
Balance, March 31, 2019:				
Goodwill, gross	765,461	373,421	148,506	1,287,388
Accumulated impairment charges	(126,567)	—	—	(126,567)
Goodwill, net of accumulated impairment charges	\$ 638,894	\$ 373,421	\$ 148,506	\$ 1,160,821

DELUXE CORPORATION
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Other non-current assets – Other non-current assets were comprised of the following:

(in thousands)	March 31, 2019	December 31, 2018
Loans and notes receivable from Safeguard distributors	\$ 79,191	\$ 78,693
Prepaid product discounts	58,237	54,642
Postretirement benefit plan asset	43,165	41,259
Deferred sales commissions ⁽¹⁾	7,454	6,482
Deferred advertising costs	5,009	5,746
Other	9,453	9,286
Other non-current assets	<u>\$ 202,509</u>	<u>\$ 196,108</u>

⁽¹⁾ Amortization of deferred sales commissions was \$697 for the quarter ended March 31, 2019 and \$694 for the quarter ended March 31, 2018.

Changes in prepaid product discounts during the quarters ended March 31, 2019 and 2018 were as follows:

(in thousands)	Quarter Ended March 31,	
	2019	2018
Balance, beginning of year	\$ 54,642	\$ 63,895
Additions ⁽¹⁾	9,553	7,492
Amortization	(5,757)	(5,408)
Other	(201)	(25)
Balance, end of period	<u>\$ 58,237</u>	<u>\$ 65,954</u>

⁽¹⁾ Prepaid product discounts are generally accrued upon contract execution. Cash payments for prepaid product discounts were \$9,189 for the quarter ended March 31, 2019 and \$5,364 for the quarter ended March 31, 2018.

Accrued liabilities – Accrued liabilities were comprised of the following:

(in thousands)	March 31, 2019	December 31, 2018
Funds held for customers	\$ 91,552	\$ 99,818
Deferred revenue ⁽¹⁾	49,428	54,313
Employee profit sharing/cash bonus	14,442	31,286
Operating lease liabilities	13,008	—
Prepaid product discounts due within one year	12,244	10,926
Customer rebates	8,725	9,555
Restructuring and integration (Note 8)	3,687	3,320
Other	71,582	75,063
Accrued liabilities	<u>\$ 264,668</u>	<u>\$ 284,281</u>

⁽¹⁾ \$23,225 of the December 31, 2018 amount was recognized as revenue during the quarter ended March 31, 2019.

Other non-current liabilities – Other non-current liabilities were comprised of the following:

(in thousands)	March 31, 2019	December 31, 2018
Prepaid product discounts	\$ 11,358	\$ 12,513
Other	25,387	27,367
Other non-current liabilities	<u>\$ 36,745</u>	<u>\$ 39,880</u>

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Supplemental cash flow information – The reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents to the consolidated balance sheets was as follows:

(in thousands)	March 31, 2019	March 31, 2018
Cash and cash equivalents	\$ 61,529	\$ 67,728
Restricted cash and restricted cash equivalents included in funds held for customers	76,971	78,751
Total cash, cash equivalents, restricted cash and restricted cash equivalents	<u>\$ 138,500</u>	<u>\$ 146,479</u>

Note 4: Earnings per share

The following table reflects the calculation of basic and diluted earnings per share. During each period, certain stock options, as noted below, were excluded from the calculation of diluted earnings per share because their effect would have been antidilutive.

(in thousands, except per share amounts)	Quarter Ended March 31,	
	2019	2018
Earnings per share – basic:		
Net income	\$ 41,190	\$ 63,336
Income allocated to participating securities	(110)	(286)
Income available to common shareholders	<u>\$ 41,080</u>	<u>\$ 63,050</u>
Weighted-average shares outstanding	43,965	47,755
Earnings per share – basic	\$ 0.93	\$ 1.32
Earnings per share – diluted:		
Net income	\$ 41,190	\$ 63,336
Income allocated to participating securities	(65)	(285)
Re-measurement of share-based awards classified as liabilities	—	(85)
Income available to common shareholders	<u>\$ 41,125</u>	<u>\$ 62,966</u>
Weighted-average shares outstanding	43,965	47,755
Dilutive impact of potential common shares	100	262
Weighted-average shares and potential common shares outstanding	<u>44,065</u>	<u>48,017</u>
Earnings per share – diluted	\$ 0.93	\$ 1.31
Antidilutive options excluded from calculation	1,097	521

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Note 5: Other comprehensive income

Reclassification adjustments – Information regarding amounts reclassified from accumulated other comprehensive loss to net income was as follows:

Accumulated other comprehensive loss components	Amounts reclassified from accumulated other comprehensive loss		Affected line item in consolidated statements of comprehensive income
	Quarter Ended March 31,		
	2019	2018	
<i>(in thousands)</i>			
Amortization of postretirement benefit plan items:			
Prior service credit	\$ 355	\$ 355	Other income
Net actuarial loss	(806)	(721)	Other income
Total amortization	(451)	(366)	Other income
Tax benefit	70	356	Income tax provision
Total reclassifications, net of tax	\$ (381)	\$ (10)	Net income

Accumulated other comprehensive loss – Changes in the components of accumulated other comprehensive loss during the quarter ended March 31, 2019 were as follows:

<i>(in thousands)</i>	Postretirement benefit plans	Net unrealized loss on marketable debt securities, net of tax ⁽¹⁾	Currency translation adjustment	Accumulated other comprehensive loss
	Balance, December 31, 2018	\$ (36,529)	\$ (323)	\$ (19,727)
Other comprehensive income before reclassifications	—	107	1,402	1,509
Amounts reclassified from accumulated other comprehensive loss	381	—	—	381
Net current-period other comprehensive income	381	107	1,402	1,890
Balance, March 31, 2019	\$ (36,148)	\$ (216)	\$ (18,325)	\$ (54,689)

⁽¹⁾ Other comprehensive income before reclassifications is net of income tax expense of \$37.

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Note 6: Acquisitions

We periodically complete business combinations that align with our business strategy. The assets and liabilities acquired are recorded at their estimated fair values, and the results of operations of each acquired business are included in our consolidated statements of comprehensive income from their acquisition dates. Transaction costs related to acquisitions are expensed as incurred and are included in SG&A expense in the consolidated statements of comprehensive income. Transaction costs were not significant to our consolidated statements of comprehensive income for the quarters ended March 31, 2019 and 2018.

We did not complete any acquisitions during the quarter ended March 31, 2019. Payments for acquisitions, net of cash acquired, for the quarter ended March 31, 2019 were \$444 and related to holdback payments for prior year acquisitions. During the quarter ended March 31, 2018, we acquired all of the equity of Logomix Inc., a self-service marketing and branding platform that helps small businesses create logos and custom marketing products. We also acquired the operations of 2 small business distributors. Payments for acquisitions, net of cash acquired, for the quarter ended March 31, 2018, included payments of \$51,815 for these acquisitions and \$554 for holdback payments for prior year acquisitions. Further information regarding our 2018 acquisitions can be found under the caption “Note 6: Acquisitions” in the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

As of March 31, 2019, purchase accounting for the 2018 acquisitions of Velocity Servers, Inc., REMITCO LLC and My Corporation Business Services, Inc. was not finalized. We expect to finalize purchase accounting for Velocity Servers, Inc. and REMITCO LLC by mid-2019 when our valuation of the acquired intangible assets of Velocity Servers, Inc. is complete and the purchase price for REMITCO LLC is finalized. We expect to finalize purchase accounting for My Corporation Business Services, Inc. by the end of 2019, when our valuation of the acquired intangible assets and various other assets and liabilities is complete. No significant measurement-period adjustments related to these acquisitions were recorded during the quarter ended March 31, 2019.

Note 7: Fair value measurements

Non-recurring asset impairment analysis – During the quarter ended March 31, 2018, we recorded a pre-tax asset impairment charge of \$2,149 related to a Small Business Services customer list intangible asset. Based on changes in the customer base of an acquired small business distributor, we determined that the customer list asset was fully impaired (level 3 fair value measurement) as of March 31, 2018.

Recurring fair value measurements – Funds held for customers included cash equivalents and available-for-sale debt securities (Note 3). The cash equivalents consisted of a money market fund investment that is traded in an active market. Because of the short-term nature of the underlying investments, the cost of this investment approximates its fair value. Available-for-sale debt securities consisted of a mutual fund investment that invests in Canadian and provincial government securities and investments in Canadian guaranteed investment certificates (GICs) with maturities of 1 year or less. The mutual fund is not traded in an active market and its fair value is determined by obtaining quoted prices in active markets for the underlying securities held by the fund. The fair value of the GICs approximated cost due to their relatively short duration. Unrealized gains and losses, net of tax, are included in accumulated other comprehensive loss in the consolidated balance sheets. The cost of securities sold is determined using the average cost method. Realized gains and losses are included in revenue in the consolidated statements of comprehensive income and were not significant for the quarters ended March 31, 2019 and 2018.

The fair value of accrued contingent consideration is remeasured each reporting period. Increases or decreases in projected revenue or operating income, as appropriate, and the related probabilities of achieving the forecasted results, may result in a higher or lower fair value measurement. Changes in fair value resulting from changes in the timing, amount of, or likelihood of contingent payments are included in SG&A expense in the consolidated statements of comprehensive income. Changes in fair value resulting from accretion for the passage of time are included in interest expense in the consolidated statements of comprehensive income.

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Changes in accrued contingent consideration during the quarter ended March 31, 2019 were as follows:

(in thousands)	Quarter Ended March 31, 2019
Balance, December 31, 2018	\$ 2,396
Change in fair value	128
Payments	(1,284)
Balance, March 31, 2019	<u>\$ 1,240</u>

Information regarding the fair values of our financial instruments was as follows:

(in thousands)	Fair value measurements using				
	March 31, 2019		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Carrying value	Fair value			
Measured at fair value through net income:					
Accrued contingent consideration	\$ (1,240)	\$ (1,240)	\$ —	\$ —	\$ (1,240)
Measured at fair value through comprehensive income:					
Cash equivalents (funds held for customers)	16,000	16,000	16,000	—	—
Available-for-sale debt securities (funds held for customers)	15,983	15,983	—	15,983	—
Amortized cost:					
Cash	61,529	61,529	61,529	—	—
Cash (funds held for customers)	60,971	60,971	60,971	—	—
Loans and notes receivable from Safeguard distributors	82,382	64,382	—	—	64,382
Long-term debt	946,000	946,000	—	946,000	—

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(in thousands)	Fair value measurements using				
	December 31, 2018		Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	Carrying value	Fair value	(Level 1)	(Level 2)	(Level 3)
Measured at fair value through net income:					
Accrued contingent consideration	\$ (2,396)	\$ (2,396)	\$ —	\$ —	\$ (2,396)
Measured at fair value through comprehensive income:					
Cash equivalents (funds held for customers)	16,000	16,000	16,000	—	—
Available-for-sale debt securities (funds held for customers)	15,463	15,463	—	15,463	—
Amortized cost:					
Cash	59,740	59,740	59,740	—	—
Cash (funds held for customers)	69,519	69,519	69,519	—	—
Loans and notes receivable from Safeguard distributors	81,560	60,795	—	—	60,795
Long-term debt ⁽¹⁾	910,000	910,000	—	910,000	—

⁽¹⁾ Amounts exclude capital lease obligations.

Note 8: Restructuring and integration expense

Restructuring and integration expense for each period consisted of the following components:

(in thousands, except number of employees)	Quarter Ended March 31,	
	2019	2018
Severance accruals	\$ 2,233	\$ 844
Severance reversals	(169)	(135)
Net accruals	2,064	709
Other costs	4,219	1,613
Restructuring and integration expense	\$ 6,283	\$ 2,322
Number of employees included in severance accruals	50	25

Restructuring and integration expense is reflected in the consolidated statements of comprehensive income as follows:

(in thousands)	Quarter Ended March 31,	
	2019	2018
Total cost of revenue	\$ 791	\$ 177
Operating expenses	5,492	2,145
Restructuring and integration expense	\$ 6,283	\$ 2,322

During the quarters ended March 31, 2019 and 2018, the net accruals included severance charges related to employee reductions across functional areas as we continued to reduce costs, primarily within our sales, marketing and fulfillment functions, as well as employee reductions related to our integration initiatives. These charges were reduced by the reversal of accruals recorded in previous periods when fewer employees received severance benefits than originally estimated. Other

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restructuring and integration costs, which were expensed as incurred, included items such as information technology costs, labor costs, employee and equipment moves, training and travel. During 2019, these costs related primarily to the integration of acquired businesses and the consolidation of information technology systems.

Restructuring and integration accruals of \$3,687 as of March 31, 2019 are reflected in the consolidated balance sheet as accrued liabilities. Accruals of \$3,461 as of December 31, 2018 are reflected in the consolidated balance sheet as accrued liabilities of \$3,320 and other non-current liabilities of \$141. The majority of the employee reductions are expected to be completed by mid-2019, and we expect most of the related severance payments to be paid by the end of 2019, utilizing cash from operations. As of March 31, 2019, approximately 35 employees had not yet started to receive severance benefits.

Restructuring and integration accruals, summarized by year, were as follows:

(in thousands)	2019 initiatives	2018 initiatives	2017 initiatives	Total
Balance, December 31, 2018	\$ —	\$ 3,448	\$ 13	\$ 3,461
Charges	2,227	6	—	2,233
Reversals	—	(156)	(13)	(169)
Payments	(122)	(1,434)	—	(1,556)
Adoption of ASU No. 2016-02 ⁽¹⁾	—	(282)	—	(282)
Balance, March 31, 2019	<u>\$ 2,105</u>	<u>\$ 1,582</u>	<u>\$ —</u>	<u>\$ 3,687</u>
Cumulative amounts:				
Charges	\$ 2,227	\$ 8,142	\$ 7,355	\$ 17,724
Reversals	—	(1,568)	(726)	(2,294)
Payments	(122)	(4,710)	(6,629)	(11,461)
Adoption of ASU No. 2016-02 ⁽¹⁾	—	(282)	—	(282)
Balance, March 31, 2019	<u>\$ 2,105</u>	<u>\$ 1,582</u>	<u>\$ —</u>	<u>\$ 3,687</u>

⁽¹⁾ Upon adoption of ASU No. 2016-02, *Leasing*, on January 1, 2019 (Note 2), our operating lease obligations accrual was reversed and the related operating lease asset was analyzed for impairment in accordance with the new guidance.

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The components of our restructuring and integration accruals, by segment, were as follows:

(in thousands)	Employee severance benefits				Operating lease obligations		Total
	Small Business Services	Financial Services	Direct Checks	Corporate ⁽¹⁾	Small Business Services	Financial Services	
Balance, December 31, 2018	\$ 1,326	\$ 1,397	\$ —	\$ 456	\$ 282	\$ —	\$ 3,461
Charges	187	1,269	50	727	—	—	2,233
Reversals	(16)	(70)	—	(83)	—	—	(169)
Payments	(704)	(726)	—	(126)	—	—	(1,556)
Adoption of ASU No. 2016-02 ⁽²⁾	—	—	—	—	(282)	—	(282)
Balance, March 31, 2019	\$ 793	\$ 1,870	\$ 50	\$ 974	\$ —	\$ —	\$ 3,687
Cumulative amounts: ⁽³⁾							
Charges	\$ 4,726	\$ 7,435	\$ 193	\$ 4,750	\$ 329	\$ 291	\$ 17,724
Reversals	(620)	(1,277)	(5)	(321)	—	(71)	(2,294)
Payments	(3,313)	(4,288)	(138)	(3,455)	(47)	(220)	(11,461)
Adoption of ASU No. 2016-02 ⁽²⁾	—	—	—	—	(282)	—	(282)
Balance, March 31, 2019	\$ 793	\$ 1,870	\$ 50	\$ 974	\$ —	\$ —	\$ 3,687

⁽¹⁾ As discussed in Note 16, corporate costs are allocated to our business segments. As such, the net corporate charges are reflected in the business segment operating income presented in Note 16 in accordance with our allocation methodology.

⁽²⁾ Upon adoption of ASU No. 2016-02, *Leasing*, on January 1, 2019 (Note 2), our operating lease obligations accrual was reversed and the related operating lease asset was analyzed for impairment in accordance with the new guidance.

⁽³⁾ Includes accruals related to our cost reduction initiatives for 2017 through 2019.

Note 9: Chief Executive Officer transition costs

In April 2018, we announced the retirement of Lee Schram, our former Chief Executive Officer (CEO). Mr. Schram remained employed under the terms of a transition agreement through March 1, 2019. Under the terms of this agreement, we provided certain benefits to Mr. Schram, including a transition bonus in the amount of \$2,000 that was paid in March 2019, accelerated vesting of certain restricted stock unit awards, and continued vesting and settlement of a pro-rata portion of outstanding performance share awards to the extent such awards were earned based on the attainment of performance goals. The modifications to Mr. Schram's share-based payment awards resulted in expense of \$2,088, which was largely recognized in 2018.

In conjunction with the CEO transition, we offered retention agreements to certain members of our management team under which each employee will be entitled to receive a cash bonus equal to his or her annual base salary or up to 1.5 times his or her annual base salary if he or she remains employed during the retention period, generally from July 1, 2018 to December 31, 2019, and complies with certain covenants. The retention bonus will be paid to an employee if his or her employment is terminated without cause before the end of the retention period. In addition to the retention expense, we incurred certain other costs related to the CEO transition process during the quarter ended March 31, 2019, including consulting fees related to the evaluation of our strategic plan. CEO transition costs of \$5,488 are included in SG&A expense in the consolidated statement of comprehensive income for the quarter ended March 31, 2019. Accruals for CEO transition costs of \$3,939 as of March 31, 2019 were included in accrued liabilities on the consolidated balance sheet. Accruals for CEO transition costs as of December 31, 2018 were \$1,972 within accrued liabilities and \$1,808 within other non-current liabilities.

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Note 10: Income tax provision

The effective tax rate on pre-tax income reconciles to the United States federal statutory rate of 21% as follows:

	Quarter Ended March 31, 2019	Year Ended December 31, 2018
Income tax at federal statutory rate	21.0%	21.0%
Goodwill impairment charge	—	7.1%
State income tax, net of federal income tax benefit	3.4%	3.0%
Net tax impact of share-based compensation	1.6%	(0.8%)
Impact of Tax Cuts and Jobs Act	—	(0.8%)
Other	0.8%	0.1%
Effective tax rate	<u>26.8%</u>	<u>29.6%</u>

Note 11: Postretirement benefits

We have historically provided certain health care benefits for a large number of retired United States employees. In addition to our retiree health care plan, we also have a supplemental executive retirement plan in the United States. Further information regarding our postretirement benefit plans can be found under the caption “Note 14: Postretirement benefits” in the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

Postretirement benefit income is included in other income on the consolidated statements of comprehensive income and consisted of the following components:

(in thousands)	Quarter Ended March 31,	
	2019	2018
Interest cost	\$ 682	\$ 656
Expected return on plan assets	(1,740)	(1,934)
Amortization of prior service credit	(355)	(355)
Amortization of net actuarial losses	806	721
Net periodic benefit income	<u>\$ (607)</u>	<u>\$ (912)</u>

Note 12: Debt

Debt outstanding was comprised of the following:

(in thousands)	March 31, 2019	December 31, 2018
Amount drawn on revolving credit facility	\$ 946,000	\$ 910,000
Capital lease obligations ⁽¹⁾	—	1,864
Long-term debt, principal amount	946,000	911,864
Less current portion of long-term debt	—	(791)
Long-term debt	946,000	911,073
Current portion of capital lease obligations ⁽¹⁾	—	791
Long-term debt due within one year	—	791
Total debt	<u>\$ 946,000</u>	<u>\$ 911,864</u>

⁽¹⁾ Upon adoption of ASU No. 2016-02, *Leasing*, on January 1, 2019 (Note 2), we reclassified our capital lease obligations, now known as finance lease obligations, to accrued liabilities and other non-current liabilities on the consolidated balance sheet.

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There are currently no limitations on the amount of dividends and share repurchases under the terms of our credit agreement. However, if our leverage ratio, defined as total debt less unrestricted cash to EBITDA, should exceed 2.75 to 1, there would be an annual limitation on the amount of dividends and share repurchases.

As of December 31, 2018, we had a revolving credit facility in the amount of \$950,000. In January 2019, we increased the credit facility by \$200,000, bringing the total availability to \$1,150,000, subject to increase under the credit agreement to an aggregate amount not exceeding \$1,425,000. The credit facility matures in March 2023. Our quarterly commitment fee ranges from 0.175% to 0.35%, based on our leverage ratio. Amounts drawn under the credit facility had a weighted-average interest rate of 3.78% as of March 31, 2019 and 3.79% as of December 31, 2018.

Borrowings under the credit agreement are collateralized by substantially all of our personal and intangible property. The credit agreement governing our credit facility contains customary covenants regarding limits on levels of subsidiary indebtedness and capital expenditures, liens, investments, acquisitions, certain mergers, certain asset sales outside the ordinary course of business, and change in control as defined in the agreement. The agreement also requires us to maintain certain financial ratios, including a maximum leverage ratio of 3.5 and a minimum ratio of consolidated earnings before interest and taxes to consolidated interest expense, as defined in the credit agreement, of 3.0.

Daily average amounts outstanding under our credit facility were as follows:

(in thousands)	Quarter Ended March 31, 2019	Year Ended December 31, 2018
Revolving credit facility:		
Daily average amount outstanding	\$ 936,583	\$ 731,110
Weighted-average interest rate	3.76%	3.24%
Term loan facility: ⁽¹⁾		
Daily average amount outstanding	\$ —	\$ 63,638
Weighted-average interest rate	—	2.97%

⁽¹⁾ During 2018, we had borrowings outstanding under a variable rate term loan facility. These amounts were repaid in March 2018.

As of March 31, 2019, amounts were available for borrowing under our revolving credit facility as follows:

(in thousands)	Total available
Revolving credit facility commitment	\$ 1,150,000
Amount drawn on revolving credit facility	(946,000)
Outstanding letters of credit ⁽¹⁾	(5,868)
Net available for borrowing as of March 31, 2019	\$ 198,132

⁽¹⁾ We use standby letters of credit to collateralize certain obligations related primarily to our self-insured workers' compensation claims, as well as claims for environmental matters, as required by certain states. These letters of credit reduce the amount available for borrowing under our revolving credit facility.

Note 13: Leases

We have entered into operating leases for the majority of our facilities. These real estate leases have remaining terms of up to 10.5 years, with a weighted-average remaining term of 5.6 years as of March 31, 2019. We utilize leases for these facilities to limit our exposure to risks related to ownership, such as fluctuations in real estate prices, and to maintain flexibility in our real estate utilization. We have also entered into operating leases for certain equipment, primarily production printers and data center equipment. Certain of our leases include options to extend the lease term. The impact of renewal periods was not significant to the amounts recorded for operating lease assets and liabilities.

We have entered into finance leases for certain information technology hardware. The net book value of the related lease assets was \$1,530 as of March 31, 2019 and the related lease liabilities were \$1,942. The lease obligations are due

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through December 2022 and do not have a significant impact on our consolidated statements of comprehensive income or our consolidated statements of cash flows.

Information regarding our operating leases was as follows:

(in thousands)	Quarter Ended March 31, 2019	
Lease expense	\$	4,465
Operating cash outflows		4,119
Lease assets obtained during the period in exchange for lease obligations		1,738
		March 31, 2019
Operating lease assets	\$	48,494
Accrued liabilities		13,008
Operating lease liabilities		36,087
Total operating lease liabilities	\$	49,095
Weighted-average remaining lease term (in years)		5.3
Weighted-average discount rate		3.6%

Maturities of operating lease liabilities were as follows:

(in thousands)	Operating leases	
Remainder of 2019	\$	11,030
2020		13,275
2021		9,438
2022		6,208
2023		3,628
Thereafter		11,328
Total lease payments		54,907
Less imputed interest		(5,812)
Present value of lease payments	\$	49,095

Note 14: Other commitments and contingencies

Indemnifications – In the normal course of business, we periodically enter into agreements that incorporate general indemnification language. These indemnification provisions generally encompass third-party claims arising from our products and services, including, without limitation, service failures, breach of security, intellectual property rights, governmental regulations and/or employment-related matters. Performance under these indemnities would generally be triggered by our breach of the terms of the contract. In disposing of assets or businesses, we often provide representations, warranties and/or indemnities to cover various risks, including, for example, unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal matters related to periods prior to disposition. We do not have the ability to estimate the potential liability from such indemnities because they relate to unknown conditions. However, we do not believe that any liability under these indemnities would have a material adverse effect on our financial position, annual results of operations or annual cash flows. We have recorded liabilities for known indemnifications related to environmental matters.

Environmental matters – We are currently involved in environmental compliance, investigation and remediation activities at some of our former sites, primarily printing facilities of our Financial Services and Small Business Services segments that have been sold. Remediation costs are accrued on an undiscounted basis when the obligations are either known or considered probable and can be reasonably estimated. Remediation or testing costs that result directly from the sale of an asset and that we would not have otherwise incurred are considered direct costs of the sale of the asset. As such, they are included in our measurement of the carrying value of the asset sold.

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Accruals for environmental matters were \$2,607 as of March 31, 2019 and \$2,755 as of December 31, 2018. These accruals are included in accrued liabilities and other non-current liabilities in the consolidated balance sheets. Accrued costs consist of direct costs of the remediation activities, primarily fees that will be paid to outside engineering and consulting firms. Although recorded accruals include our best estimates, our total costs cannot be predicted with certainty due to various factors, such as the extent of corrective action that may be required, evolving environmental laws and regulations and advances in environmental technology. Where the available information is sufficient to estimate the amount of the liability, that estimate is used. Where the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range is recorded. We do not believe that the range of possible outcomes could have a material effect on our financial condition, results of operations or liquidity. Environmental expense was not significant for the quarters ended March 31, 2019 and 2018.

We maintain an insurance policy that covers up to \$10,000 of third-party pollution claims through 2032 at certain owned, leased and divested sites. We also maintain a policy that covers up to \$15,000 of third-party pollution claims through April 2022 at certain other sites. These policies cover liability for claims of bodily injury or property damage arising from pollution events at the covered facilities, as well as remediation coverage should we be required by a governing authority to perform remediation activities at the covered sites. No accruals have been recorded in our consolidated financial statements for any of the events contemplated in these insurance policies. We do not anticipate significant net cash outlays for environmental matters during 2019.

Self-insurance – We are self-insured for certain costs, primarily workers' compensation claims and medical and dental benefits for active employees and those employees on long-term disability. The liabilities associated with these items represent our best estimate of the ultimate obligations for reported claims plus those incurred, but not reported, and totaled \$7,312 as of March 31, 2019 and \$6,627 as of December 31, 2018. These accruals are included in accrued liabilities and other non-current liabilities in the consolidated balance sheets. Our workers' compensation liability is recorded at present value. The difference between the discounted and undiscounted liability was not significant as of March 31, 2019 or December 31, 2018.

Our self-insurance liabilities are estimated, in part, by considering historical claims experience, demographic factors and other actuarial assumptions. The estimated accruals for these liabilities could be significantly affected if future events and claims differ from these assumptions and historical trends.

Litigation – Recorded liabilities for legal matters, as well as related charges recorded in each period, were not material to our financial position, results of operations or liquidity during the quarters ended March 31, 2019 and 2018, and we do not believe that any of the currently identified claims or litigation will materially affect our financial position, results of operations or liquidity, upon resolution. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. If an unfavorable ruling were to occur, it may cause a material adverse impact on our financial position, results of operations or liquidity in the period in which the ruling occurs or in future periods.

Note 15: Shareholders' equity

In May 2016, our board of directors authorized the repurchase of up to \$300,000 of our common stock, and in October 2018, the board increased our share repurchase authorization to \$500,000, inclusive of the remaining amount outstanding under the prior authorization. This authorization has no expiration date. During the quarter ended March 31, 2019, we repurchased 1.0 million shares for \$50,000. As of March 31, 2019, \$370,000 remained available for repurchase under the current authorization.

Note 16: Business segment information

We currently operate 3 reportable business segments: Small Business Services, Financial Services and Direct Checks. Our business segments are generally organized by type of customer served and reflect the way we currently manage the company. Small Business Services promotes and sells products and services to small businesses via direct response mail and internet advertising; referrals from financial institutions, telecommunications clients and others; networks of Safeguard distributors and independent dealers; a direct sales force that focuses on selling to and through enterprise accounts; and an outbound telemarketing group. Financial Services' products and services are sold primarily through a direct sales force that executes product and service supply contracts with our financial institution clients, including banks, credit unions and financial

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(dollars in thousands, except per share amounts)

services companies. Direct Checks sells products and services directly to consumers using direct marketing, including print advertising and search engine marketing and optimization strategies. All 3 segments operate primarily in the United States. Small Business Services also has operations in Canada, Australia and portions of Europe, and Financial Services has operations in Canada.

Our product and service offerings are comprised of the following:

Marketing solutions and other services (MOS) – We offer products and services designed to meet our customers' sales and marketing needs, as well as various other service offerings. Our MOS offerings generally consist of the following:

- Small business marketing solutions – Our marketing products utilize digital printing and web-to-print solutions to provide printed marketing materials and promotional solutions, such as postcards, brochures, retail packaging supplies, apparel, greeting cards and business cards.
- Treasury management solutions – These Financial Services solutions include remote deposit capture, receivables management, payment processing, and paperless treasury management, as well as software, hardware and digital imaging solutions.
- Web services – These service offerings include hosting and domain name services, logo and web design, search engine marketing and optimization, email marketing, payroll services and business incorporation and organization services.
- Data-driven marketing solutions – These Financial Services offerings include outsourced marketing campaign targeting and execution and marketing analytics solutions that help our customers grow revenue through strategic targeting, lead optimization, retention and cross-selling services.
- Fraud, security, risk management and operational services – These service offerings include fraud protection and security services, electronic checks and deposits ("ePayments") and digital engagement solutions, including loyalty and rewards programs and financial management tools.

Checks – We remain one of the largest providers of personal and business checks in the United States.

Forms, accessories and other products – Our Small Business Services segment provides printed forms to small businesses, including deposit tickets, billing forms, work orders, job proposals, purchase orders, invoices and personnel forms, as well as computer forms compatible with accounting software packages commonly used by small businesses. Small Business Services also offers other customized products, including envelopes, office supplies, ink stamps and labels. Our Financial Services and Direct Checks segments offer deposit tickets, check registers, checkbook covers, labels and ink stamps.

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The following tables present revenue disaggregated by our product and service offerings:

		Quarter Ended March 31, 2019			
(in thousands)	Small Business Services	Financial Services	Direct Checks	Consolidated	
Marketing solutions and other services:					
Small business marketing solutions	\$ 66,621	\$ —	\$ —	\$ 66,621	
Treasury management solutions	—	45,471	—	45,471	
Web services	43,604	—	—	43,604	
Data-driven marketing solutions	—	36,784	—	36,784	
Fraud, security, risk management and operational services	6,111	12,285	3,524	21,920	
Total MOS	116,336	94,540	3,524	214,400	
Checks	118,423	56,186	26,542	201,151	
Forms, accessories and other products	78,299	3,634	1,581	83,514	
Total revenue	<u>\$ 313,058</u>	<u>\$ 154,360</u>	<u>\$ 31,647</u>	<u>\$ 499,065</u>	

		Quarter Ended March 31, 2018			
(in thousands)	Small Business Services	Financial Services	Direct Checks	Consolidated	
Marketing solutions and other services:					
Small business marketing solutions	\$ 66,762	\$ —	\$ —	\$ 66,762	
Treasury management solutions	—	29,200	—	29,200	
Web services	37,376	—	—	37,376	
Data-driven marketing solutions	—	37,140	—	37,140	
Fraud, security, risk management and operational services	6,516	12,307	3,857	22,680	
Total MOS	110,654	78,647	3,857	193,158	
Checks	122,932	58,051	29,355	210,338	
Forms, accessories and other products	82,727	3,943	1,748	88,418	
Total revenue	<u>\$ 316,313</u>	<u>\$ 140,641</u>	<u>\$ 34,960</u>	<u>\$ 491,914</u>	

Product revenue is recognized at a point in time. Total MOS revenue included product revenue of \$65,854 and service revenue of \$148,546 for the quarter ended March 31, 2019 and product revenue of \$64,651 and service revenue of \$128,507 for the quarter ended March 31, 2018. The majority of our service revenue is recognized over time as services are provided.

The following tables present our revenue disaggregated by geography, based on where items are shipped or services are performed.

(in thousands)	Small Business Services	Financial Services	Direct Checks	Total
Quarter Ended March 31, 2019:				
United States	\$ 288,208	\$ 150,050	\$ 31,647	\$ 469,905
Foreign, primarily Canada and Australia	24,850	4,310	—	29,160
Total revenue	<u>\$ 313,058</u>	<u>\$ 154,360</u>	<u>\$ 31,647</u>	<u>\$ 499,065</u>

DELUXE CORPORATION
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

(in thousands)	Small Business Services	Financial Services	Direct Checks	Total
Quarter Ended March 31, 2018:				
United States	\$ 289,598	\$ 135,166	\$ 34,960	\$ 459,724
Foreign, primarily Canada and Australia	26,715	5,475	—	32,190
Total revenue	\$ 316,313	\$ 140,641	\$ 34,960	\$ 491,914

The accounting policies of the segments are the same as those described in the Notes to Consolidated Financial Statements included in the 2018 Form 10-K. We allocate corporate costs for our shared services functions to our business segments, including costs of our executive management, human resources, supply chain, real estate, finance, information technology and legal functions. Where costs incurred are directly attributable to a business segment, those costs are charged directly to that segment. Those costs not directly attributable to a business segment, primarily certain human resources costs, are allocated to the segments based on the number of employees in each segment. Corporate assets are not allocated to the segments and consisted primarily of long-term investments and assets related to our corporate shared services functions of manufacturing, information technology and real estate, including property, plant and equipment; internal-use software; operating lease assets; and inventories and supplies.

We are an integrated enterprise, characterized by substantial intersegment cooperation, cost allocations and sharing of assets. Therefore, we do not represent that these segments, if operated independently, would report the operating income and other financial information shown.

The following is our segment information as of and for the quarters ended March 31, 2019 and 2018:

(in thousands)		Reportable Business Segments				Corporate	Consolidated
		Small Business Services	Financial Services	Direct Checks			
Total revenue from external customers:	2019	\$ 313,058	\$ 154,360	\$ 31,647	\$ —	\$ 499,065	
	2018	316,313	140,641	34,960	—	491,914	
Operating income:	2019	44,682	10,251	8,840	—	63,773	
	2018	58,900	17,973	10,835	—	87,708	
Depreciation and amortization expense:	2019	16,612	15,043	764	—	32,419	
	2018	15,439	14,893	809	—	31,141	
Asset impairment charges:	2019	—	—	—	—	—	
	2018	2,149	—	—	—	2,149	
Total assets:	2019	1,075,950	740,936	157,011	348,514	2,322,411	
	2018	1,141,551	672,718	158,683	300,864	2,273,816	
Capital asset purchases:	2019	—	—	—	14,619	14,619	
	2018	—	—	—	14,034	14,034	

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

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) includes the following sections:

- Executive Overview that discusses what we do, our operating results at a high level and our financial outlook for the year;
- Consolidated Results of Operations, Restructuring and Integration Expense, CEO Transition Costs and Segment Results that include a more detailed discussion of our revenue and expenses;
- Cash Flows and Liquidity, Capital Resources and Other Financial Position Information that discusses key aspects of our cash flows, capital structure and financial position;

- Off-Balance Sheet Arrangements, Guarantees and Contractual Obligations that discusses our financial commitments; and
- Critical Accounting Policies that discusses the policies we believe are important to understanding the assumptions and judgments underlying our financial statements.

Please note that this MD&A discussion contains forward-looking statements that involve risks and uncertainties. Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Form 10-K") outlines known material risks and important information to consider when evaluating our forward-looking statements and is incorporated into this Item 2 of this report on Form 10-Q as if fully stated herein. The Private Securities Litigation Reform Act of 1995 (the "Reform Act") provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information. We make the following cautionary statement in connection with the Reform Act. When we use the words or phrases "should result," "believe," "intend," "plan," "are expected to," "targeted," "will continue," "will approximate," "is anticipated," "estimate," "project," "outlook," "forecast" or similar expressions in this Quarterly Report on Form 10-Q, in future filings with the Securities and Exchange Commission, in our press releases, investor presentations and in oral statements made by our representatives, they indicate forward-looking statements within the meaning of the Reform Act.

This MD&A includes financial information prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). In addition, we discuss adjusted diluted earnings per share (EPS), which is a non-GAAP financial measure. We believe that this non-GAAP financial measure, when reviewed in conjunction with GAAP financial measures, can provide useful information to assist investors in analyzing our current period operating performance and in assessing our future period operating performance. For this reason, our internal management reporting also includes adjusted diluted EPS, which should be considered in addition to, and not as superior to or as a substitute for, GAAP financial measures. We strongly encourage investors and shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. Our measure of adjusted diluted EPS may not be comparable to similarly titled measures used by other companies and therefore, may not result in useful comparisons. The detailed reconciliation of GAAP diluted EPS to adjusted diluted EPS can be found in *Consolidated Results of Operations*.

Our unaudited consolidated statement of cash flows for the quarter ended March 31, 2018 has been revised to correct a misstatement associated with the presentation of restricted cash and restricted cash equivalents included in funds held for customers on our consolidated balance sheet. Further information regarding this misstatement can be found under the caption "Note 1: Consolidated financial statements" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report.

EXECUTIVE OVERVIEW

We currently operate 3 reportable business segments: Small Business Services, Financial Services and Direct Checks. Our business segments are generally organized by type of customer served and reflect the way we currently manage the company. Further information regarding our segments and our product and service offerings can be found under the caption "Note 16: Business segment information" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report.

Earnings for the first quarter of 2019 were negatively impacted by continued volume reductions in personal and business checks and forms, due primarily to the secular decline in check and forms usage and 1 fewer business day in 2019, as well as Chief Executive Officer (CEO) transition costs of \$5.5 million in 2019, a \$4.7 million increase in medical costs, an increase of \$4.0 million in restructuring and integration expense, higher interest expense and continued check pricing allowances within Financial Services. In addition, we recognized gains from sales of businesses and customer lists within Small Business Services of \$7.2 million in the first quarter of 2018. These decreases in earnings were partially offset by an \$11.0 million benefit from continuing initiatives to reduce our cost structure, primarily within our sales, marketing and fulfillment organizations, and the benefit of Small Business Services price increases.

"New Deluxe" Strategy

Throughout the past several years, as the use of checks and forms has continued to decline, we have focused on opportunities to increase revenue and operating income and to diversify our revenue streams and customer base. These opportunities have included new product and service offerings, brand awareness and positioning initiatives, investing in technology for our service offerings, enhancing our information technology capabilities and infrastructure, improving customer segmentation, extending the reach of our sales channels, and reducing costs. In addition, we invested in various acquisitions that extend the range of products and services we offer to our customers, primarily marketing solutions and other services

(MOS) offerings. Information about our acquisitions can be found under the caption "Note 6: Acquisitions" in the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

We plan to move beyond diversification as we transform into a trusted, technology-enabled solutions provider. This will require us to fundamentally change our go-to-market strategy, operating model and organizational design. We expect that fully integrating past acquisitions and consolidating and standardizing our technology platforms will enable us to operate as one Deluxe, selling all of our products and services to any customer. In each of the next 2 years, we plan to invest between \$30.0 million and \$60.0 million to build out our technology platforms, including sales technology that will enable a single view of our customer, providing for deeper cross-sell opportunities. We also plan to invest in our human capital management and financial management systems to enable integration of duplicative and aging collaboration tools and platforms. Strategically, we believe these enhancements will make it easier for us to quickly integrate any future acquisitions. These investments will consist of capital and expense items, which we plan to fund from structural cost savings and free cash flow. However, timing differences will impact our ability to fully self-fund through efficiency savings alone. These investments are not included in our outlook information for 2019.

As we move forward, we intend to focus on growth businesses with recurring revenue streams, scalable business models, attractive cost structures, data-rich business models and strong price-to-earnings ratios. Instead of relying solely upon acquisitions to deliver growth, we will first focus on accelerating revenue growth organically and then supplement growth with selective, strategic acquisitions. While we will continue to sell to enterprise, small business and financial services customers, our business will not be organized by customer type in the future. Instead, we intend to focus our efforts on 4 primary business areas: Payments, Cloud, Promotional Products and Checks. We expect to reinvest free cash flow into the two primary growth areas: Payments and Cloud. Our intent is to re-segment and have the capability to report our operating results under the new structure, both internally and externally, in 2019. However, this process may not be complete until early 2020. During the transition period, we plan to implement our strategy while delivering on our annual plan and consistently paying a dividend to shareholders.

Outlook for 2019

We anticipate that consolidated revenue will be between \$2.00 billion and \$2.05 billion for 2019, compared to \$2.00 billion for 2018. We expect that continued secular declines in personal and business checks and forms and continued pricing allowances in Financial Services will be more than offset by incremental revenue from acquisitions we completed in 2018, modest growth in treasury management and data-driven marketing revenue. We do not plan to complete any acquisitions during the first half of 2019, as we intend to focus on integrating our previous acquisitions and ensuring that any acquisitions are in line with our strategy. Going forward, we believe acquisitions are an important element of our growth, and we expect acquisitions will augment our strategy when appropriate.

We expect that 2019 diluted EPS will be between \$4.33 and \$4.63, compared to \$3.16 for 2018, and we expect that 2019 adjusted diluted EPS will be between \$6.65 and \$6.95, compared to \$6.88 for 2018. We estimate that our annual effective tax rate for 2019 will be approximately 25.0%, compared to our 2018 rate of 29.6%, which included 7.1 points related to a goodwill impairment charge.

We anticipate that net cash provided by operating activities will be between \$325.0 million and \$340.0 million in 2019, compared to \$339.3 million in 2018, driven primarily by the first quarter payment of \$12.5 million of certain legal-related expenses accrued in the prior year, the continuing decline in checks and forms and higher interest payments, partially offset by benefits from our cost savings initiatives and lower income tax payments. We believe that cash generated by operating activities, along with availability under our revolving credit facility, will be sufficient to support our operations for the next 12 months, including capital expenditures of approximately \$75.0 million, dividend payments, required interest payments, and periodic share repurchases, as well as possible acquisitions in the second half of 2019. As of March 31, 2019, \$198.1 million was available for borrowing under our revolving credit facility. We expect to maintain a disciplined approach to capital deployment that focuses on our need to continue investing in initiatives to drive revenue growth, both organically and through acquisitions. We anticipate that our board of directors will maintain our current dividend level. However, dividends are approved by the board of directors on a quarterly basis, and thus are subject to change. To the extent we generate excess cash, we expect to opportunistically repurchase common shares and/or reduce the amount outstanding under our credit facility.

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated Revenue

(in thousands, except per order amounts)	Quarter Ended March 31,		
	2019	2018	Change
Total revenue	\$ 499,065	\$ 491,914	1.5%
Orders ⁽¹⁾	11,724	12,008	(2.4%)
Revenue per order	\$ 42.57	\$ 40.97	3.9%

⁽¹⁾Orders is our company-wide measure of volume and includes both products and services.

The increase in total revenue for the first quarter of 2019, as compared to the first quarter of 2018, was driven primarily by incremental revenue from acquired businesses of \$28.6 million, as well as Small Business Services price increases. Information regarding our acquisitions can be found under the caption "Note 6: Acquisitions" in the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K. These increases in revenue were partially offset by the continuing decline in order volume for both personal and business checks, as well as forms and accessories sold by Small Business Services, including a decrease of approximately \$5.0 million due to 1 fewer business day in the first quarter of 2019. In addition, treasury management revenue, excluding incremental revenue from acquired businesses, declined approximately \$3.0 million, and revenue was negatively impacted by continued check pricing allowances within Financial Services.

Service revenue represented 29.8% of total revenue for the first quarter of 2019 and 26.1% for the first quarter of 2018. As such, the majority of our revenue is generated by product sales. We do not manage our business based on product versus service revenue. Instead, we analyze our products and services based on the following categories:

	Quarter Ended March 31,	
	2019	2018
Marketing solutions and other services:		
Small business marketing solutions	13.3%	13.6%
Treasury management solutions	9.1%	5.9%
Web services	8.8%	7.6%
Data-driven marketing solutions	7.4%	7.6%
Fraud, security, risk management and operational services	4.4%	4.6%
Total MOS	43.0%	39.3%
Checks	40.3%	42.7%
Forms, accessories and other products	16.7%	18.0%
Total revenue	100.0%	100.0%

The number of orders decreased for the first quarter of 2019, as compared to the first quarter of 2018, due to the continuing secular decline in check and forms usage and the impact of 1 fewer business day in 2019, partially offset by growth in MOS, including the impact of MOS-related acquisitions. Revenue per order increased for the first quarter 2019, as compared to the first quarter of 2018, primarily due to the benefit of Small Business Services price increases and favorable product and service mix, partially offset by the impact of continued check pricing allowances in Financial Services.

Consolidated Cost of Revenue

(in thousands)	Quarter Ended March 31,		
	2019	2018	Change
Total cost of revenue	\$ 199,623	\$ 188,758	5.8%
Total cost of revenue as a percentage of total revenue	40.0%	38.4%	1.6 pts.

Cost of revenue consists primarily of raw materials used to manufacture our products, shipping and handling costs, third-party costs for outsourced products and services, payroll and related expenses, information technology costs, depreciation and amortization of assets used in the production process and in support of digital service offerings, and related overhead.

The increase in total cost of revenue for the first quarter of 2019, as compared to the first quarter of 2018, was primarily attributable to incremental costs of acquired businesses of \$14.3 million, as well as increased delivery rates and higher material and medical costs in 2019. Partially offsetting these increases in total cost of revenue was the impact of lower order volume for both personal and business checks, as well as forms and accessories sold by Small Business Services. In addition, manufacturing efficiencies and other benefits resulting from our continued cost reduction initiatives resulted in a reduction in total cost of revenue of approximately \$2.0 million for the first quarter of 2019. Total cost of revenue as a percentage of total revenue increased as compared to 2018, in large part due to the increase in service revenues, including the impact of acquisitions, partially offset by Small Business Services price increases.

Consolidated Selling, General & Administrative (SG&A) Expense

(in thousands)	Quarter Ended March 31,		
	2019	2018	Change
SG&A expense	\$ 230,177	\$ 211,154	9.0%
SG&A expense as a percentage of total revenue	46.1%	42.9%	3.2 pts.

The increase in SG&A expense for the first quarter of 2019, as compared to the first quarter of 2018, was driven by incremental costs of acquired businesses of \$11.9 million, including acquisition amortization, CEO transition costs of \$5.5 million, a higher average Small Business Services commission rate and a \$3.0 million increase in medical costs. Also, during the first quarter of 2018, we recognized gains from sales of businesses and customer lists within Small Business Services of \$7.2 million. Further information regarding these asset sales can be found under the caption "Note 3: Supplemental balance sheet and cash flow information" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report. These increases in SG&A expense were partially offset by various expense reduction initiatives of approximately \$9.0 million, primarily within our sales and marketing organizations, and lower amortization expense related to acquisitions prior to 2018.

Restructuring and Integration Expense

(in thousands)	Quarter Ended March 31,		
	2019	2018	Change
Restructuring and integration expense	\$ 5,492	\$ 2,145	\$ 3,347

We recorded expense related to our cost reduction initiatives and our initiatives related to the integration of acquired businesses and the consolidation of information technology systems. The increase in expense for the first quarter of 2019, as compared to the first quarter of 2018, was driven primarily by our increased integration and consolidation activities. The expense for each period primarily included information technology costs, employee severance benefits, labor costs, employee and equipment moves, training and travel. Further information can be found under *Restructuring and Integration Expense*.

Asset Impairment Charges

(in thousands)	Quarter Ended March 31,		
	2019	2018	Change
Asset impairment charges	\$ —	\$ 2,149	\$ (2,149)

During the first quarter of 2018, we recorded a pre-tax asset impairment charge of \$2.1 million related to a Small Business Services customer list intangible asset. Based on changes in the customer base of an acquired small business distributor, we determined that the customer list asset was fully impaired as of March 31, 2018.

Interest Expense

(in thousands)	Quarter Ended March 31,		
	2019	2018	Change
Interest expense	\$ 9,301	\$ 5,579	66.7%
Weighted-average debt outstanding	936,583	711,686	31.6%
Weighted-average interest rate	3.8%	3.0%	0.8 pts.

The increase in interest expense for the first quarter of 2019, as compared to the first quarter of 2018, was primarily driven by our higher weighted-average interest rate during 2019, as well as the higher weighted-average debt level arising, in part, from our share repurchase activity and acquisitions completed during 2018.

Income Tax Provision

(in thousands)	Quarter Ended March 31,		
	2019	2018	Change
Income tax provision	\$ 15,048	\$ 20,082	(25.1%)
Effective income tax rate	26.8%	24.1%	2.7pts.

The increase in the effective income tax rate for the first quarter of 2019, as compared to the first quarter of 2018, was due to a \$1.5 million unfavorable impact from share-based compensation, an increase in nondeductible officer compensation resulting from CEO transition costs, and the impact of foreign income taxes. These increases in the effective income tax rate were partially offset by a decrease in the global intangible low-taxed income (GILTI) liability on foreign earnings recorded during the first quarter of 2019. We expect that our annual effective tax rate for 2019 will be approximately 25.0%.

Diluted EPS

	Quarter Ended March 31,		
	2019	2018	Change
GAAP diluted EPS	\$ 0.93	\$ 1.31	(29.0%)
Adjusted diluted EPS	1.54	1.60	(3.8%)

The decrease in GAAP diluted EPS for the first quarter of 2019, as compared to the first quarter of 2018, was driven primarily by the continuing decline in checks, forms and accessories, including the impact of 1 fewer business day in 2019, the gain on sales of Small Business Services businesses and customer lists of \$7.2 million in 2018, CEO transition costs of \$5.5 million in 2019, and increased medical, restructuring and integration and interest expense in 2019. These decreases in GAAP diluted EPS were partially offset by lower shares outstanding in 2019, benefits from our cost reduction initiatives and Small Business Services price increases.

The decrease in adjusted diluted EPS was also primarily driven by the continuing decline in checks, forms and accessories, including the impact of 1 fewer business day in 2019, increased medical costs, a higher average Small Business Services commission rate, higher interest and materials expense and increased delivery rates, partially offset by lower shares outstanding in 2019 and benefits from our cost reduction initiatives, acquisitions and Small Business Services price increases.

Non-GAAP Financial Measure

We believe that adjusted diluted EPS provides useful comparable information for investors by excluding the impact of items that we believe are not indicative of ongoing operations. It is reasonable to expect that one or more of these excluded items will occur in future periods, but the amounts recognized will vary significantly.

GAAP diluted EPS reconciles to adjusted diluted EPS as follows:

	Quarter Ended March 31,		Year Ending December 31,	
	2019	2018	2019 (Guidance)	2018
GAAP diluted EPS	\$ 0.93	\$ 1.31	\$4.33 to \$4.63	\$ 3.16
Asset impairment charges	—	0.03	—	1.96
Acquisition amortization	0.32	0.27	1.27	1.23
Restructuring and integration expense	0.11	0.04	0.54	0.34
CEO transition costs	0.09	—	0.16	0.11
Share-based compensation	0.08	0.06	0.34	0.21
Certain legal-related expense	0.01	—	0.01	0.15
Acquisition transaction costs	—	0.01	—	0.02
Gain on sales of businesses and customer lists	—	(0.12)	—	(0.27)
Loss on debt retirement	—	0.01	—	0.01
Impact of federal tax reform	—	(0.01)	—	(0.04)
Adjusted diluted EPS	\$ 1.54	\$ 1.60	\$6.65 to \$6.95	\$ 6.88

RESTRUCTURING AND INTEGRATION EXPENSE

We have recorded expenses related to our restructuring and integration activities, including accruals consisting primarily of employee severance benefits, as well as costs that are expensed when incurred, including information technology costs, labor costs, employee and equipment moves, training and travel. Our restructuring activities are driven by our cost reduction initiatives, including employee reductions in various functional areas, as well as the closing of facilities, integration of acquired businesses and the consolidation of information technology systems. Further information regarding restructuring and integration expense can be found under the caption "Note 8: Restructuring and integration expense" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report. The majority of the employee reductions included in our restructuring and integration accruals are expected to be completed by mid-2019, and we expect most of the related severance payments to be paid by the end of 2019, utilizing cash from operations.

As a result of our employee reductions, we expect to realize cost savings of approximately \$2.0 million in total cost of revenue and \$11.0 million in SG&A expense in 2019, in comparison to our 2018 results of operations, which represents a portion of the total net cost reductions we expect to realize in 2019.

CEO TRANSITION COSTS

In April 2018, we announced the retirement of Lee Schram, our former CEO. Mr. Schram remained employed under the terms of a transition agreement through March 1, 2019. Under the terms of this agreement, we provided certain benefits to Mr. Schram, including a transition bonus in the amount of \$2.0 million that was paid in March 2019. In addition, modifications were made to certain of his share-based payment awards. In conjunction with the CEO transition, we offered retention agreements to certain members of our management team under which each employee will be entitled to receive a cash bonus equal to his or her annual base salary or up to 1.5 times his or her annual base salary if he or she remains employed during the retention period, generally from July 1, 2018 to December 31, 2019, and complies with certain covenants. In addition to the retention expense, we incurred certain other costs related to the CEO transition process during the quarter ended March 31, 2019, including consulting fees related to the evaluation of our strategic plan. CEO transition costs are included in SG&A expense and were \$5.5 million for the first quarter of 2019. We estimate that these costs will total approximately \$9.0 million in 2019. We anticipate that the majority of the management retention bonuses will be paid in the first quarter of 2020, utilizing cash from operations. Accruals for CEO transition costs were included within accrued liabilities and were \$3.9 million as of March 31, 2019.

SEGMENT RESULTS

Additional financial information regarding our business segments appears under the caption "Note 16: Business segment information" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report.

Small Business Services

Results for our Small Business Services segment were as follows:

(in thousands)	Quarter Ended March 31,		
	2019	2018	Change
Total revenue	\$ 313,058	\$ 316,313	(1.0%)
Operating income	44,682	58,900	(24.1%)
Operating margin	14.3%	18.6%	(4.3) pts.

The decrease in total revenue for the first quarter of 2019, as compared to the first quarter of 2018, was driven by lower order volume, primarily related to checks, forms and accessories, as secular check and forms usage continues to decline, along with a decrease of approximately \$4.0 million due to 1 fewer business day in 2019. Search and email marketing volume also decreased approximately \$2.0 million due, in part, to the loss of 1 customer, and revenue was negatively impacted \$1.8 million by foreign currency exchange rate changes. These decreases in revenue were partially offset by incremental revenue from acquired businesses of approximately \$9.3 million, as well as the benefit of price increases. Information about our acquisitions can be found under the caption "Note 6: Acquisitions" in the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

The decreases in operating income and operating margin for the first quarter of 2019, as compared to the first quarter of 2018, were driven primarily by the lower order volume for checks, forms and accessories, as well as a higher average commission rate, CEO transition costs of \$3.0 million allocated to this segment in 2019, increased medical and material costs, increased delivery rates in 2019, and a \$1.2 million increase in restructuring and integration expense, driven by our integration activities. Also, during the first quarter of 2018, we recognized gains from sales of businesses and customer lists of \$7.2 million. Partially offsetting these decreases in operating income and operating margin were price increases, benefits of our cost reduction initiatives and an asset impairment charge of \$2.1 million in 2018 related to a customer list intangible asset. The results of acquired businesses contributed operating income of \$0.5 million for the first quarter of 2019, including acquisition amortization, but resulted in a 0.3 point decrease in operating margin.

Financial Services

Results for our Financial Services segment were as follows:

(in thousands)	Quarter Ended March 31,		
	2019	2018	Change
Total revenue	\$ 154,360	\$ 140,641	9.8%
Operating income	10,251	17,973	(43.0%)
Operating margin	6.6%	12.8%	(6.2) pts.

The increase in total revenue for the first quarter of 2019, as compared to the first quarter of 2018, was driven by incremental treasury management revenue of \$19.3 million from the acquisition of REMITCO LLC in August 2018. Partially offsetting this increase in revenue was lower check order volume due primarily to the continued secular decline in check usage. In addition, revenue was negatively impacted by continued check pricing allowances and treasury management revenue, excluding the incremental revenue from the acquisition, declined approximately \$3.0 million.

The decreases in operating income and operating margin for the first quarter of 2019, as compared to the first quarter of 2018, were primarily due to the lower check order volume, continued check pricing allowances, the impact of the decline in treasury management revenue, increased medical and material costs, and increased delivery rates in 2019. In addition, restructuring and integration expense increased \$2.6 million, driven by our integration initiatives, and CEO transition costs allocated to this segment were \$2.3 million in 2019. Partially offsetting these decreases in operating income and operating

margin were benefits of our continuing cost reduction initiatives and a contribution of \$1.9 million from the acquisition in August 2018, including acquisition amortization.

Direct Checks

Results for the Direct Checks segment were as follows:

(in thousands)	Quarter Ended March 31,		
	2019	2018	Change
Total revenue	\$ 31,647	\$ 34,960	(9.5%)
Operating income	8,840	10,835	(18.4%)
Operating margin	27.9%	31.0%	(3.1) pts.

The decrease in revenue for the first quarter of 2019, as compared to the first quarter of 2018, was primarily due to the reduction in orders stemming from the continued secular decline in check usage.

The decreases in operating income and operating margin for the first quarter of 2019, as compared to the first quarter of 2018, were due primarily to the lower order volume, increased medical and material costs, and increased delivery rates in 2019. These decreases in operating income and operating margin were partially offset by benefits from our cost reduction initiatives, including lower advertising expense driven by advertising print reduction initiatives.

CASH FLOWS AND LIQUIDITY

As of March 31, 2019, we held cash and cash equivalents of \$61.5 million, as well as restricted cash and restricted cash equivalents included in funds held for customers of \$77.0 million. The following table shows our cash flow activity for the quarters ended March 31, 2019 and 2018, and should be read in conjunction with the consolidated statements of cash flows appearing in Item 1 of this report.

(in thousands)	Quarter Ended March 31,		
	2019	2018	Change
Net cash provided by operating activities	\$ 45,399	\$ 80,788	\$ (35,389)
Net cash used by investing activities	(14,827)	(66,853)	52,026
Net cash (used) provided by financing activities	(39,407)	5,736	(45,143)
Effect of exchange rate change on cash, cash equivalents, restricted cash and restricted cash equivalents	2,076	(2,011)	4,087
Net change in cash, cash equivalents, restricted cash and restricted cash equivalents	\$ (6,759)	\$ 17,660	\$ (24,419)

The \$35.4 million decrease in net cash provided by operating activities for the first quarter of 2019, as compared to the first quarter of 2018, was due primarily to the payment of \$12.5 million of certain legal-related expenses accrued in the prior year, the timing of accounts payable payments, the continuing secular decline in check and forms usage, increased medical costs, a \$3.8 million increase in prepaid product discount payments, a \$3.7 million increase in interest payments, increased spending on integration initiatives and payment of a \$2.0 million transition bonus to our former CEO. These decreases in operating cash flow were partially offset by a \$7.4 million reduction in income tax payments, as well as benefits of our cost reduction initiatives and Small Business Services price increases.

Included in net cash provided by operating activities were the following operating cash outflows:

(in thousands)	Quarter Ended March 31,		
	2019	2018	Change
Performance-based compensation payments ⁽¹⁾	\$ 23,308	\$ 21,606	\$ 1,702
Income tax payments	11,168	18,549	(7,381)
Prepaid product discount payments	9,189	5,364	3,825
Interest payments	8,979	5,314	3,665
Severance payments	1,556	2,759	(1,203)

⁽¹⁾ Amounts reflect compensation based on total company performance.

Net cash used by investing activities for the first quarter of 2019 was \$52.0 million lower than the first quarter of 2018, driven primarily by a decrease of \$51.9 million in payments for acquisitions. We did not complete any acquisitions during the first quarter of 2019. Information about our 2018 acquisitions can be found under the caption “Note 6: Acquisitions” in the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

Net cash used by financing activities for the first quarter of 2019 was \$45.1 million higher than the first quarter of 2018, due primarily to an increase in payments for common shares repurchased of \$30.0 million, the net change in customer funds obligations of \$20.2 million and a decrease in proceeds from issuing shares under employee plans of \$3.6 million. These increases in cash used by financing activities were partially offset by a net increase in borrowings on long-term debt of \$3.6 million and a decrease of \$2.4 million in payments for debt issue costs.

Significant cash transactions, excluding those related to operating activities, for each period were as follows:

(in thousands)	Quarter Ended March 31,		
	2019	2018	Change
Payments for acquisitions, net of cash acquired	\$ (444)	\$ (52,369)	\$ 51,925
Payments for common shares repurchased	(50,000)	(19,996)	(30,004)
Purchases of capital assets	(14,619)	(14,034)	(585)
Cash dividends paid to shareholders	(13,118)	(14,393)	1,275
Net change in customer funds obligations	(9,908)	10,293	(20,201)
Employee taxes paid for shares withheld	(2,672)	(4,557)	1,885
Net change in debt	36,000	32,425	3,575
Proceeds from issuing shares under employee plans	1,548	5,169	(3,621)

We anticipate that net cash provided by operating activities will be between \$325.0 million and \$340.0 million in 2019, compared to \$339.3 million in 2018, driven primarily by the first quarter payment of \$12.5 million of certain legal-related expenses accrued in the prior year, the continuing decline in checks and forms and higher interest payments, partially offset by benefits from our cost savings initiatives and lower income tax payments. We expect that net cash provided by operating activities in 2019, along with availability under our revolving credit facility, will be utilized for capital expenditures of approximately \$75.0 million, dividend payments, required interest payments and periodic share repurchases, as well as possible acquisitions in the second half of 2019. We intend to focus our capital spending on key revenue growth initiatives and investments in sales technology and information technology infrastructure. As of March 31, 2019, \$198.1 million was available for borrowing under our revolving credit facility. To the extent we generate excess cash, we expect to opportunistically repurchase common shares and/or reduce the amount outstanding under our credit facility agreement.

As of March 31, 2019, our foreign subsidiaries held cash and cash equivalents of \$56.9 million. Deferred income taxes have not been recognized on unremitted earnings of our foreign subsidiaries, as these amounts are intended to be reinvested indefinitely in the operations of those subsidiaries. If we were to repatriate all of our foreign cash and cash equivalents into the United States at one time, we estimate we would incur a withholding tax liability of approximately \$2.5 million.

We believe that cash generated by operating activities, along with availability under our revolving credit facility, will be sufficient to support our operations for the next 12 months, including capital expenditures, dividend payments, interest payments, and periodic share repurchases, as well as possible acquisitions in the second half of 2019.

CAPITAL RESOURCES

Our total debt was \$946.0 million as of March 31, 2019, an increase of \$34.1 million from December 31, 2018. Further information concerning our outstanding debt can be found under the caption "Note 12: Debt" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report.

Our capital structure for each period was as follows:

(in thousands)	March 31, 2019		December 31, 2018		Change
	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate	
Fixed interest rate ⁽¹⁾	\$ —	—	\$ 1,864	2.0%	\$ (1,864)
Floating interest rate	946,000	3.8%	910,000	3.8%	36,000
Total debt	946,000	3.8%	911,864	3.8%	34,136
Shareholders' equity	897,563		915,413		(17,850)
Total capital	\$ 1,843,563		\$ 1,827,277		\$ 16,286

⁽¹⁾ Upon adoption of Accounting Standards Update (ASU) No. 2016-02, *Leasing*, on January 1, 2019, we reclassified our capital lease obligations, now known as finance lease obligations, to accrued liabilities and other non-current liabilities on the consolidated balance sheet.

In May 2016, our board of directors authorized the repurchase of up to \$300.0 million of our common stock, and in October 2018, the board increased our share repurchase authorization to \$500.0 million, inclusive of the remaining amount outstanding under the prior authorization. This authorization has no expiration date. During the first quarter of 2019, we repurchased 1.0 million shares for \$50.0 million. As of March 31, 2019, \$370.0 million remained available for repurchase under the current authorization. Information regarding changes in shareholders' equity can be found in the consolidated statements of shareholders' equity appearing in Item 1 of this report.

As of December 31, 2018, we had a revolving credit facility in the amount of \$950.0 million. In January 2019, we increased the credit facility by \$200.0 million, bringing the total availability to \$1.15 billion, subject to increase under the credit agreement to an aggregate amount not exceeding \$1.425 billion. The credit facility matures in March 2023. Our quarterly commitment fee ranges from 0.175% to 0.35%, based on our leverage ratio.

Borrowings under our credit agreement are collateralized by substantially all of our personal and intangible property. The credit agreement governing the credit facility contains customary covenants regarding limits on levels of subsidiary indebtedness and capital expenditures, liens, investments, acquisitions, certain mergers, certain asset sales outside the ordinary course of business, and change in control as defined in the agreement. The agreement also requires us to maintain certain financial ratios, including a maximum leverage ratio of 3.5 and a minimum ratio of consolidated earnings before interest and taxes to consolidated interest expense, as defined in the credit agreement, of 3.0. We were in compliance with all debt covenants as of March 31, 2019, and we expect to remain in compliance with all debt covenants throughout the next 12 months.

As of March 31, 2019, amounts were available for borrowing under our revolving credit facility as follows:

(in thousands)	Total available
Revolving credit facility commitment	\$ 1,150,000
Amount drawn on revolving credit facility	(946,000)
Outstanding letters of credit ⁽¹⁾	(5,868)
Net available for borrowing as of March 31, 2019	\$ 198,132

⁽¹⁾ We use standby letters of credit to collateralize certain obligations related primarily to our self-insured workers' compensation claims, as well as claims for environmental matters, as required by certain states. These letters of credit reduce the amount available for borrowing under our revolving credit facility.

OTHER FINANCIAL POSITION INFORMATION

Information concerning items comprising selected captions on our consolidated balance sheets can be found under the caption "Note 3: Supplemental balance sheet and cash flow information" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report.

Operating lease assets and liabilities – On January 1, 2019, we adopted ASU No. 2016-02, *Leasing*, and related amendments. Adoption of these standards had a material impact on our consolidated balance sheet, but did not have a significant impact on our consolidated statement of comprehensive income or our consolidated statement of cash flows. The most significant impact was the recognition of operating lease assets of \$50.8 million, current operating lease liabilities of \$13.6 million and non-current operating lease liabilities of \$37.4 million as of January 1, 2019. Prior periods were not restated upon adoption of these standards. Further information can be found under the caption "Note 2: New accounting pronouncements" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report.

Prepaid product discounts – Other non-current assets include prepaid product discounts of our Financial Services segment. These costs are recorded as non-current assets upon contract execution and are generally amortized on the straight-line basis as reductions of revenue over the related contract term. Changes in prepaid product discounts during the quarters ended March 31, 2019 and 2018 can be found under the caption "Note 3: Supplemental balance sheet and cash flow information" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report. Cash payments for prepaid product discounts were \$9.2 million for the first quarter of 2019 and \$5.4 million for the first quarter of 2018.

The number of checks being written has been declining, which has contributed to increased competitive pressure when attempting to retain or acquire clients. Both the number of financial institution clients requesting prepaid product discount payments and the amount of the payments has fluctuated from year to year. Although we anticipate that we will selectively continue to make these payments, we cannot quantify future amounts with certainty. The amount paid depends on numerous factors, such as the number and timing of contract executions and renewals, competitors' actions, overall product discount levels and the structure of up-front product discount payments versus providing higher discount levels throughout the term of the contract.

Liabilities for prepaid product discounts are recorded upon contract execution. These obligations are monitored for each contract and are adjusted as payments are made. Prepaid product discount payments due within the next year are included in accrued liabilities in our consolidated balance sheets. These accruals were \$12.2 million as of March 31, 2019 and \$10.9 million as of December 31, 2018. Accruals for prepaid product discount payments included in other non-current liabilities in our consolidated balance sheets were \$11.4 million as of March 31, 2019 and \$12.5 million as of December 31, 2018.

OFF-BALANCE SHEET ARRANGEMENTS, GUARANTEES AND CONTRACTUAL OBLIGATIONS

It is not our general business practice to enter into off-balance sheet arrangements or to guarantee the performance of third parties. In the normal course of business, we periodically enter into agreements that incorporate general indemnification language. These indemnification provisions generally encompass third-party claims arising from our products and services, including, without limitation, service failures, breach of security, intellectual property rights, governmental regulations and/or employment-related matters. Performance under these indemnities would generally be triggered by our breach of terms of the contract. In disposing of assets or businesses, we often provide representations, warranties and/or indemnities to cover various risks, including, for example, unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal matters related to periods prior to disposition. We do not have the ability to estimate the potential liability from such indemnities because they relate to unknown conditions. However, we do not believe that any liability under these indemnities would have a material adverse effect on our financial position, annual results of operations or annual cash flows. We have recorded liabilities for known indemnifications related to environmental matters. Further information regarding our environmental liabilities, as well as liabilities related to self-insurance and litigation, can be found under the caption "Note 14: Other commitments and contingencies" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in the Item 1 of this report.

We are not engaged in any transactions, arrangements or other relationships with unconsolidated entities or other third parties that are reasonably likely to have a material effect on our liquidity or on our access to, or requirements for, capital resources. In addition, we have not established any special purpose entities nor did we enter into any material related party transactions during the first quarter of 2019 or during 2018.

A table of our contractual obligations was provided in the MD&A section of the 2018 Form 10-K. In April 2019, we entered into certain software-as-a-service contracts. These contracts require minimum payments of \$29.2 million, with \$1.7 million payable in 2019 and a total of \$25.1 million payable in 2020 and 2021. The remainder is payable through 2024.

CRITICAL ACCOUNTING POLICIES

A description of our critical accounting policies was provided in the MD&A section of the 2018 Form 10-K. There were no changes in these policies during the first quarter of 2019.

New accounting pronouncements – Information regarding the accounting pronouncement adopted during the first quarter of 2019 and those not yet adopted can be found under the caption “Note 2: New accounting pronouncements” in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to changes in interest rates primarily as a result of the borrowing activities used to support our capital structure, maintain liquidity and fund business operations. We do not enter into financial instruments for speculative or trading purposes. The nature and amount of debt outstanding can be expected to vary as a result of future business requirements, market conditions and other factors. As of March 31, 2019, our total debt was comprised of \$946.0 million drawn under our revolving credit facility at a weighted-average interest rate of 3.8%. The carrying amount reported in the consolidated balance sheets for amounts drawn under our revolving credit facility approximates fair value because our interest rates are variable and reflect current market rates. Amounts drawn on our revolving credit facility mature in March 2023.

Based on the daily average amount of outstanding debt, a one percentage point change in our weighted-average interest rates would have resulted in a \$2.3 million change in interest expense for the first quarter of 2019.

We are exposed to changes in foreign currency exchange rates. Investments in, loans and advances to foreign subsidiaries and branches, as well as the operations of these businesses, are denominated in foreign currencies, primarily Canadian and Australian dollars. The effect of exchange rate changes is not expected to have a significant impact on our earnings and cash flows, as our foreign operations represent a relatively small portion of our business. We have not entered into hedges against changes in foreign currency exchange rates.

Item 4. Controls and Procedures.

(a) *Disclosure Controls and Procedures* – As of the end of the period covered by this report, March 31, 2019 (the “Evaluation Date”), we carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in applicable rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

(b) *Internal Control Over Financial Reporting* – There were no changes in our internal control over financial reporting identified in connection with our evaluation during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We implemented internal controls to ensure that we adequately evaluated our contracts and properly assessed the impact of the new leases accounting standard on our financial statements to facilitate its adoption on January 1, 2019. There were no significant changes to our internal control over financial reporting resulting from the adoption of the new standard.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We record accruals with respect to identified claims or lawsuits when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Claims and lawsuits are reviewed quarterly and provisions are taken or adjusted to reflect the status of a particular matter. We believe the recorded reserves in our consolidated financial statements are adequate in light of the probable and estimable outcomes. Recorded liabilities were not material to our financial position, results of operations or liquidity, and we do not believe that any of the currently identified claims or litigation will materially affect our financial position, results of operations or liquidity upon resolution. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. If an unfavorable ruling were to occur, it may cause a material adverse impact on our financial position, results of operations or liquidity in the period in which the ruling occurs or in future periods.

Item 1A. Risk Factors.

Our risk factors are outlined in Item 1A of the 2018 Form 10-K. There have been no significant changes to these risk factors since we filed the 2018 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table shows purchases of our own common stock, based on trade date, that were completed during the first quarter of 2019:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum approximate dollar value of shares that may yet be purchased under the plans or programs
January 1, 2019 – January 31, 2019	324,201	\$ 47.38	324,201	\$ 404,640,957
February 1, 2019 – February 28, 2019	714,143	48.51	714,143	370,000,004
March 1, 2019 – March 31, 2019	—	—	—	370,000,004
Total	<u>1,038,344</u>	<u>48.15</u>	<u>1,038,344</u>	<u>370,000,004</u>

In May 2016, our board of directors approved an authorization for the repurchase of up to \$300.0 million of our common stock. In October 2018, the board increased our share repurchase authorization to \$500.0 million, inclusive of the remaining amount outstanding under the prior authorization. This authorization has no expiration date.

While not considered repurchases of shares, we do at times withhold shares that would otherwise be issued under equity-based awards to cover the withholding taxes due as a result of the exercising or vesting of such awards. During the first quarter of 2019, we withheld 56,845 shares in conjunction with the vesting and exercise of equity-based awards.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

We held our annual shareholders' meeting on May 1, 2019.

38,528,820 shares were represented (88.3% of the 43,637,914 shares outstanding and entitled to vote at the meeting). Three items were considered at the meeting, and the results of the voting were as follows:

(1) Election of Directors:

Shareholders were asked to elect 10 directors to hold office until the 2020 annual meeting of shareholders. The nominees for director and the results of the voting were as follows:

	For	Withheld	Broker non-vote
Ronald C. Baldwin	33,562,439	1,021,217	3,945,164
Cheryl E. Mayberry McKissack	33,448,384	1,135,272	3,945,164
Barry C. McCarthy	33,838,348	745,308	3,945,164
Don J. McGrath	33,508,665	1,074,991	3,945,164
Neil J. Metviner	33,322,363	1,261,293	3,945,164
Stephen P. Nachtsheim	33,065,159	1,518,497	3,945,164
Thomas J. Reddin	33,861,127	722,529	3,945,164
Martyn R. Redgrave	33,202,576	1,381,080	3,945,164
John L. Stauch	34,309,251	274,405	3,945,164
Victoria A. Treyger	33,797,143	786,513	3,945,164

(2) A non-binding resolution to approve the compensation of our named executive officers, as described in the proxy statement filed in connection with the annual meeting:

For:	30,962,334
Against:	3,488,243
Abstain:	133,079
Broker non-vote:	3,945,164

(3) Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2019:

For:	37,663,355
Against:	776,136
Abstain:	89,329

Item 6. Exhibits.

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2010).
3.2	Bylaws, as amended and restated on October 23, 2018 (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2018).
4.1	Indenture, dated as of April 30, 2003, by and between us and Wells Fargo Bank Minnesota, N.A., as trustee (incorporated by reference to Exhibit 4.8 to the Registration Statement on Form S-3 (Registration No. 333-104858) filed with the Commission on April 30, 2003).

Exhibit Number	Description
10.1	Separation and Release Agreement between us and Julie Loosbrock*
10.2	Employment agreement, dated October 14, 2018, between us and Barry C. McCarthy, and related forms of Restricted Stock Unit Award Agreement and Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Commission on November 6, 2018)*
10.3	Form of CEO Restricted Stock Unit Award Agreement (version 4/19)*
10.4	Form of U.S. Employee Restricted Stock Unit Award Agreement (version 4/19)*
10.5	Form of U.S. Employee New Day Restricted Stock Unit Award Agreement (version 4/19)*
10.6	Form of CEO Non-Qualified Stock Option Agreement (version 4/19)*
10.7	Form of U.S. Employee Non-Qualified Stock Option Agreement (version 4/19)*
10.8	Form of CEO Performance Share Unit Award Agreement (version 4/19)*
10.9	Form of U.S. Employee Performance Share Unit Award Agreement (version 4/19)*
31.1	CEO Certification of Periodic Report pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	CFO Certification of Periodic Report pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	CEO and CFO Certification of Periodic Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished)
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Denotes compensatory plan or management contract

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.

DELUXE CORPORATION
(Registrant)

Date: May 3, 2019

/s/ Barry C. McCarthy

Barry C. McCarthy
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 3, 2019

/s/ Keith A. Bush

Keith A. Bush
Senior Vice President, Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

SEPARATION AND RELEASE AGREEMENT

This SEPARATION AND RELEASE AGREEMENT (“Separation Agreement”) is made and entered into by and between Julie M. Loosbrock (“Loosbrock”) and Deluxe Corporation (“Deluxe”).

WHEREAS, Loosbrock has been employed by Deluxe since August 21, 2000, most recently as Deluxe’s Senior Vice President, Human Resources;

WHEREAS, Loosbrock and Deluxe entered into a Severance Agreement dated September 3, 2008 (the “Severance Agreement”);

WHEREAS, Loosbrock and Deluxe entered into a Retention Agreement dated May 8, 2018 (the “Retention Agreement”);

WHEREAS, Loosbrock’s employment with Deluxe will terminate effective as of the close of business on April 30, 2019 (the “Separation Date”);

WHEREAS, Loosbrock’s age and length of employment with Deluxe as of the Separation Date do not qualify her as a “Qualified Retiree,” as defined under the terms of Deluxe’s Retirement Guidelines (“Qualified Retiree Status”);

WHEREAS, Loosbrock and Deluxe wish to fully and finally settle all issues, differences, and claims, whether potential or actual, between Loosbrock and Deluxe, including, but not limited to, any claims that might arise out of Loosbrock’s employment with Deluxe or the termination of Loosbrock’s employment with Deluxe;

WHEREAS, based on the foregoing, Deluxe and Loosbrock desire to enter into this Separation Agreement to effect the termination of Loosbrock’s employment with Deluxe on the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. Separation. Except as provided in this Separation Agreement, all benefits and privileges of Loosbrock’s employment with Deluxe will end as close of business on the Separation Date.
 2. Consideration by Loosbrock. As consideration for Deluxe’s promises and obligations under this Separation Agreement, Loosbrock agrees to the following:
 - a. First Release of Claims. Loosbrock will sign this Separation Agreement containing the release of claims in Section 4.
 - b. Second Release of Claims. On or within 21 days of the Separation Date, Loosbrock will sign a second release in the form attached to this Separation Agreement as **Exhibit A** (the “Second Release”).
-

- c. Confidentiality, Non-Solicitation, and Non-Competition. Loosbrock will agree and adhere to the confidentiality, non-solicitation, and non-competition covenants in Section 9 as material terms of this Separation Agreement.
- d. Ineligibility for New Day Grant. Loosbrock will be ineligible for any special grants or awards provided to Deluxe employees or officers through the Separation Date, other than those specifically referenced herein, including but not limited to a “New Day Grant” as may be implemented by Deluxe.

3. Consideration by Deluxe. As consideration for Loosbrock’s promises and obligations under this Separation Agreement, and pursuant to the terms of the Severance Agreement and the Retention Agreement (with respect to paragraphs a through e below), Deluxe will provide Loosbrock with the following benefits to which Loosbrock is not otherwise entitled, provided Loosbrock signs and does not revoke or rescind this Separation Agreement, as described in Section 6, and does not revoke or rescind the Second Release.

a. Severance. Deluxe will pay Loosbrock an amount equal to twelve (12) months of her base salary as of the Separation Date, less applicable deductions and withholdings, to be paid in accordance with Deluxe’s regular payroll schedule, beginning on the first regular pay date following the end of the 15-day rescission period of the Second Release.

b. Additional Payments. For a period of six (6) months commencing on the first anniversary of the initial payment in Section 2 a., Deluxe will pay Loosbrock each month an amount equal to the amount, if any, that Loosbrock’s base salary or self-employment income as of the Separation Date exceeds her monthly employment compensation during that month. Deluxe will pay Loosbrock each of the six (6) such monthly payments within thirty (30) days of Loosbrock providing Deluxe with documentation of her employment or self-employment income for the month or a written statement that she was not employed and did-not earn any self-employment income during that month.

c. Outplacement. Deluxe will pay for Loosbrock-level outplacement counseling and support services for Loosbrock, in an amount up to \$25,000 to be provided through Loosbrock’s choice of providers for such services, beginning after the end of the 15-day rescission period of the Second Release.

d. One-Time Payment. Deluxe will pay Loosbrock a one-time lump sum payment of Thirteen Thousand Dollars (\$13,000), to be paid within thirty (30) days of the end of the 15-day rescission period of the Second Release.

e. Retention Bonus. Deluxe will pay Loosbrock a one-time lump sum amount equal to eighteen (18) months of her base salary, to be paid within fifteen (15) days of the end of the 15-day rescission period of the Second Release.

f. Transition Services. Loosbrock will be provided the opportunity to provide transition services from March 11, 2019 through the Separation Date (the “Transition Period.”) During the Transition Period, Loosbrock will not work in Deluxe’s office, perform her regular duties as Deluxe’s Senior Vice President of Human Resources, enter into any agreements on behalf of Deluxe, or act as a member of Deluxe’s Loosbrock Leadership Team. During the Transition

Period, Loosbrock agrees to be available as reasonably requested by Deluxe to provide information and to perform projects as reasonably requested by Deluxe.

g. Pension and Deferred Compensation Payments. To the extent applicable, upon the Separation Date, Loosbrock will be eligible for benefits under Deluxe's pension and deferred compensation plans according to the terms of such plans.

h. Qualified Retiree Status For Equity and Incentive Awards. For purposes of the following equity and incentive awards, and only for these purposes, Loosbrock will be deemed to have attained Qualified Retiree Status effective as of the Separation Date, thus converting her Separation Date to the date of her retirement (the "Retirement Date") for these purposes and with respect to Deluxe's applicable retirement policies. As a result of her Qualified Retiree Status only with respect to such equity awards, Loosbrock will receive the following from Deluxe:

- i. 2019 AIP Award. Subject to the achievement of applicable goals, Deluxe will pay Loosbrock the pro-rated cash value, based on the Retirement Date, of her 2019 AIP award, such payment being made in 2020 on or about the date on which Deluxe otherwise makes such payments.
- ii. Accelerated Stock Vesting. All of Loosbrock's outstanding unvested restricted stock and restricted stock units will vest as of the Retirement Date.
- iii. Accelerated Stock Option Vesting and Extended Exercise Period. All of Loosbrock's outstanding unvested stock options (the "Options") will vest as of the Retirement Date and Loosbrock will have until the later of (i) the original option expiration date or (ii) three (3) years from the Retirement Date to exercise the Options.
- iv. Performance Share Units. Loosbrock will receive pro-rated amounts of the performance share units granted to her in 2017 (the "2017 PSU Grant"), to be paid out on the date in 2020 that the 2017 PSU Grant, if any, would be paid out if had Loosbrock remained employed though such payment date in 2020, and Loosbrock will receive pro-rated amounts of the performance share units granted to her in 2018 (the "2018 PSU Grant"), on the date in 2021 that the 2018 PSU Grant, if any, would be paid out if had Loosbrock remained employed though such payment date in 2021. For purposes hereof, the award (or similar) agreements pursuant to which Deluxe granted Loosbrock restricted shares, restricted stock units, stock options or performance share units shall be collectively referred to herein as "Award Agreements."

4. Release of Claims. As an inducement to Deluxe to enter into this Separation Agreement and in exchange for the consideration provided for in this Separation Agreement, Loosbrock hereby settles any and all claims that she has or may have against Deluxe and its predecessors, successors, assigns, parents, affiliates, subsidiaries and related companies, and its and their officers, employees, agents, assigns, insurers, representatives, counsel, administrators, successors, shareholders, directors and/or other representatives (collectively, the "Released Parties") as a result of Deluxe's hiring of

Loosbrock, Loosbrock's employment with Deluxe, the cessation of Loosbrock's employment with Deluxe, or any act, occurrence, or omission occurring prior to the date of this Separation Agreement.

For the consideration expressed herein, Loosbrock, on behalf of herself and her heirs, successors, representatives and assigns, hereby releases and discharges the Released Parties from any and all claims, causes of action, liabilities, damages, and right to relief of any kind that Loosbrock has or ever had against the Released Parties, known or unknown, by reason of any matter or fact giving rise to this Separation Agreement. Loosbrock's release of claims is intended to extend to and includes, among other things, claims of any kind arising under or based upon the Age Discrimination in Employment Act, 29 U.S.C. §§ 621, *et seq.*; Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e *et seq.*; the Americans with Disabilities Act, 42 U.S.C. § 12101 *et seq.*; the Family and Medical Leave Act, 29 U.S.C. § 2601 *et seq.*; the Employment Retirement Income Security Act, 29 U.S.C. § 1001 *et seq.*; the Minnesota Human Rights Act; the Women's Economic Security Act; the Minnesota Equal Pay for Equal Work Law, Minn. Stat. §§ 181.66-181.71; Minn. § 181.81; Minn. Stat. § 176.82; Minn. Stat. §§ 181.931, 181.932, 181.935; Minn. Stat. §§ 181.940-181.944; Minn. Stat. §§ 181.950-181.957; Minn. Stat. §§ 181.961-181.966, and any other federal, state, or local law, rule, or regulation prohibiting employment discrimination or otherwise relating to employment; and any claims based upon any other theory, whether legal or equitable, arising from or related to any matter or fact arising out of the events giving rise to this Separation Agreement.

Loosbrock also agrees and understands that she is giving up any and all other claims, whether grounded in contract or tort theories, including, but not limited to: wrongful discharge; breach of contract (including, without limitation, any claims for unpaid compensation); tortious interference with contractual relations; promissory estoppel; detrimental reliance; breach of the implied covenant of good faith and fair dealing; breach of express or implied promise; breach of manuals or other policies; breach of fiduciary duty; assault; battery; fraud; false imprisonment; invasion of privacy; intentional or negligent misrepresentation; defamation, including libel, slander, discharge defamation and self-publication defamation; discharge in violation of public policy; whistleblower; intentional or negligent infliction of emotional distress; and claims for punitive damages or attorneys' fees or any other theory, whether legal or equitable.

Additionally, nothing in this Separation Agreement purports to release or waive claims that may not be released or waived as a matter of law; claims based on events, occurrences, or omissions that occur after the date of the Separation Agreement; or claims related to any already vested benefits under the terms of any of Deluxe's benefit plans. Similarly, nothing in this Separation Agreement prevents Loosbrock from challenging the validity of this agreement or from filing any non-legally waivable claim with the Equal Employment Opportunity Commission ("EEOC"), National Labor Relations Board ("NLRB") or comparable state or local agency or participating in any investigation or proceeding conducted by the EEOC, NLRB, or comparable state or local agency; however, Loosbrock agrees and understands that the Separation Agreement waives all claims and rights to monetary or other recovery for any legal claims to the fullest extent permitted by law.

This Release of Claims does not prohibit Loosbrock from reporting possible violations of federal law or regulation to any governmental agency or entity, including, but not limited to, the Department of Justice, the Securities and Exchange Commission ("SEC"), Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Nothing in this Separation Agreement requires Loosbrock to seek prior authorization of Deluxe to make any such reports or disclosures and Loosbrock does not need and is not required to notify Deluxe that she has made any such reports or disclosures. This Separation

Agreement is not intended to and does not restrict Loosbrock from seeking or obtaining an SEC whistleblower award.

Finally, Loosbrock understands that under the U.S. Defend Trade Secrets Act of 2016, she will not be held criminally or civilly liable under any U.S. federal or state trade secret law for the disclosure of a trade secret that is made in confidence to government officials, either directly or indirectly, or to an attorney, in each case solely for the purpose of reporting or investigating a suspected violation of law, or in a complaint or other document filed in a lawsuit or other proceeding, provided such filing is made under seal. Loosbrock hereby represents that she is not aware of any violation of law as outlined in this Section.

5. Consideration Period and Advice to Consult with Counsel. Loosbrock is hereby informed that the terms of this Separation Agreement shall be open for acceptance and execution by Loosbrock for a period of twenty-one (21) days from Loosbrock's date of receipt, during which time Loosbrock may consult with an attorney and consider whether to accept this Separation Agreement. Changes to this Separation Agreement, whether material or immaterial, will not restart the running of this twenty-one (21) day acceptance period. During this time, Deluxe advises and encourages Loosbrock to consult with an attorney of her choice. To receive the consideration provided for in this Separation Agreement, Loosbrock must return a signed and dated original copy of this Separation Agreement to: Jeffrey L. Cotter, Chief Administrative Officer, General Counsel and Senior Vice President, Deluxe Corporation, 3680 Victoria Street North, Shoreview, MN 55126.

6. Right to Revoke and Rescind. Loosbrock is hereby informed of her right to revoke this Separation Agreement as far as it extends to potential claims under the Age Discrimination in Employment Act ("ADEA"), 29 U.S.C. §§ 621 *et seq.* by written notice to Deluxe within seven (7) calendar days following Loosbrock's execution of this Separation Agreement. Loosbrock is also informed of her right to rescind her release of claims, insofar as it extends to potential claims under the Minnesota Human Rights Act ("MHRA"), by informing Deluxe of Loosbrock's intent to do so within fifteen (15) calendar days following her signing of this Separation Agreement. Any such revocation or rescission must be made in writing and delivered by hand or by certified mail, return receipt requested, postmarked on or before the last day of the applicable revocation or rescission period to the representative identified in Section 5.

If Loosbrock exercises her right to revoke or rescind her release of claims under the MHRA or ADEA, Deluxe may, at its option, either nullify this Separation Agreement in its entirety, or keep it in effect in all respects other than as to that portion of the release of claims that Loosbrock has revoked or rescinded. Loosbrock agrees and understands that if Deluxe chooses to nullify the Separation Agreement in its entirety, Deluxe will have no obligations under this Separation Agreement.

7. Confidentiality of this Separation Agreement. Loosbrock, on behalf of herself and her heirs, successors, representatives and assigns, and her legal counsel agree not to disclose (in whole or in part) the existence of this Separation Agreement or any of the terms or provisions hereof. Further, Loosbrock, on behalf of herself and her heirs, successors, representatives and assigns, and her legal counsel hereby agree not to characterize any of the terms or provisions of this Separation Agreement or disclose any of the negotiations leading to the making of this Separation Agreement, to any other person or entity, other than Loosbrock's attorneys, accountants, or tax advisors. Notwithstanding this Section, nothing in this Separation Agreement prevents Loosbrock from participating in any investigation or proceeding conducted by the EEOC, NLRB, SEC or comparable state or local agency.

8. Continuation of Benefits. Beginning on the Retirement Date, provided Loosbrock qualifies for COBRA continuation coverage, Loosbrock may elect to continue medical and dental insurance benefits under COBRA at Loosbrock's own expense by paying the premium for such coverage. If Loosbrock does not elect or is not eligible for COBRA continuation coverage, Loosbrock's group health plan coverage will cease as of the Retirement Date. Except as provided in this Separation Agreement, Loosbrock will cease to be and will cease to be treated as an employee of Deluxe for all purposes under all employee retirement and welfare benefit plans and all other plans, programs, policies and arrangements maintained for employees of Deluxe as of the Retirement Date.

9. Confidentiality, Non-Solicitation, and Non-Competition.

- a. Non-Disclosure. At all times during Loosbrock's employment with Deluxe and thereafter, Loosbrock will hold in the strictest confidence and will not disclose, use, lecture upon or publish any of Deluxe's Confidential Information, except as such disclosure, use or publication may be required in connection with Loosbrock's work for Deluxe, or unless Deluxe expressly authorizes such disclosure in writing. Loosbrock hereby assigns to Deluxe any and all rights, title and interest Loosbrock may have or acquire in the Confidential Information and recognizes that all of the Confidential Information is and shall be the sole property of Deluxe and its successors and assigns. As used in this Separation Agreement, "Confidential Information" means information that was developed, created, or discovered by or on behalf of Deluxe or any of its Affiliates, or which became or will become known by, or was or is conveyed to Deluxe, which has commercial value in Deluxe's business and which Deluxe regards as confidential. "Confidential Information" includes, but is not limited to, customer and mailing lists, costs and pricing information, employee data and any information related to any employees' employment with or departure from Deluxe, financial data, business plans, sales and marketing plans, business acquisition or divestiture plans, research and development activities relating to existing commercial activities and new products, services and offerings under active consideration, software programs, and trade secrets which Loosbrock may have acquired during the course of her employment with Deluxe or its Affiliates or which is received in confidence by or for Deluxe from any other person. As used in this Separation Agreement, the term "Affiliate" means a company which is directly, or indirectly through one or more intermediaries, controlled by or under com. mon control with another company by Deluxe where control shall mean the right, either directly or indirectly, to elect the majority of the direction thereof without the consent or acquiescence of any third party. The foregoing obligation shall not apply to (i) any information which was known to Loosbrock prior to the disclosure to her by Deluxe or any of its Affiliates; (ii) any information which was in the public domain prior to its disclosure to Loosbrock; (iii) any information which comes into the public domain through no fault of Loosbrock; (iv) any information which Loosbrock is required to disclose by a court or similar authority or under subpoena, provided that Loosbrock provides Deluxe with notice thereof and assists, at Deluxe's

or its Affiliate's sole expense, any reasonable endeavor of Deluxe or any of its Affiliates by appropriate means to obtain a protective order limiting the disclosure of such information; and (v) any information which is disclosed to Loosbrock by a third party which has a legal right to make such disclosure.

i. Limitation. Notwithstanding this Section, nothing in this Separation Agreement prevents Loosbrock from participating in any investigation or proceeding conducted by the EEOC, NLRB, SEC or comparable state or local agency.

b. Non-Competition. In consideration of Loosbrock's employment by Deluxe, Loosbrock agrees that, during the period commencing on the Retirement Date and ending on the date that is one (1) year after the Retirement Date, Loosbrock shall not, directly or indirectly, and in any manner or capacity (e.g., as an advisor, principal, agent, partner, officer, director, investor, shareholder, employee, member of any association or otherwise), engage in any business activities that are competitive with the business conducted by Deluxe or any Affiliate on or prior to the Retirement Date. Notwithstanding the foregoing, Loosbrock may accept employment with a large, diversified employer whose business enterprises include, but are not limited to, business activities competitive with the business conducted by Deluxe provided that, prior to Loosbrock's acceptance of such employment, Deluxe shall receive separate written assurances satisfactory to it from Loosbrock and from such employer that Loosbrock will not be engaged in, exercise authority over, or render services to any portion of that diversified business that is engaged in activities competitive with the business of Deluxe.

(i) Geographical Extent or Covenant. Loosbrock acknowledges that Deluxe directly, or indirectly through its Affiliates, currently is engaged in business throughout the United States of America, including each county and state thereof. Consequently, Loosbrock agrees that her obligations under this Section 9 shall apply in any market in the United States of America in which: (a) Deluxe or, as applicable, a Deluxe Affiliate(s), operates during her employment with Deluxe and the one-year period after the Retirement Date; and (b) Deluxe or, as applicable, a Deluxe Affiliate(s), has plans to enter as of the Retirement Date.

(i) Limitation on Covenant. Ownership by Loosbrock, as a passive investment, of less than one percent (1%) of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 9.

- c. Non-Solicitation and Non-Hire. Loosbrock agrees that, for a period of one (1) year after the Retirement Date, Loosbrock shall not, except with the prior written consent of Deluxe: (a) hire or attempt to hire for employment any person who is employed by Deluxe or a Deluxe Affiliate, or attempt to influence any such person to terminate employment with Deluxe or any of its Affiliates; (b) induce or attempt to induce any employee of Deluxe or any Affiliate to work for, render services to, provide advice to, or supply Confidential Information of Deluxe or any Deluxe Affiliate to any third person, firm or corporation; or (c) induce or attempt to induce any customer, supplier, licensee, licensor or other business relation of Deluxe or any Deluxe Affiliate to cease doing business with Deluxe or such Deluxe Affiliate, or in any way interfere with the relationship between any such customer, supplier, licensee, licensor or other business relation and Deluxe or any Deluxe Affiliate. Nothing herein shall prohibit Loosbrock from engaging in general advertising for personnel that is not specifically targeting any employee or other personnel of Deluxe, or from hiring any such employee or other personnel responding to such general advertising.

The foregoing limitations shall not apply with respect to: (i) any former employee of Deluxe whose employment terminated at least six months prior to the Retirement Date.

10. Claims Warranties. Loosbrock represents and warrants that she is not aware of any facts that would establish, tend to establish or in any way support an allegation that any of the Released Parties has engaged in conduct that Loosbrock believes could violate (1) any provision of federal law relating to fraud, including, but not limited to, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act and/or any state or local counterpart; (2) any rule or regulation of the SEC; (3) the federal False Claims Act and/or any state or local or municipal qui tam counterpart (which prohibit the presentation by Deluxe or any affiliate of false claims and statements or the creation of false records or statements in order to obtain payment of federal, state, county or municipal funds, or to avoid refunds of such government funds); and (4) any other federal, state or local law.

11. Representations and Warranties Regarding the FMLA and FLSA. Loosbrock represents and warrants that she is not aware of any facts or circumstances that might justify a claim against the Released Parties for any violation of the Family and Medical Leave Act ("FMLA") or the Fair Labor Standards Act ("FLSA") or comparable state statutes. Loosbrock further represents and warrants that she has received any and all wages and/or commissions for work performed and any and all FMLA leave to which Loosbrock may have been entitled.

12. Non-Disparagement. Except in the context of a proceeding with the EEOC, NLRB, SEC or other comparable state or local government agency; in compelled sworn testimony; or as otherwise may be required by law, Loosbrock agrees that she will not disparage or defame Deluxe, any of Deluxe's current or former employees, directors, officers, agents, or contractors, or Deluxe's management or services. Deluxe agrees to instruct the members of its Executive Leadership Team, Board of Directors and the Vice Presidents in the Human Resources Department as of the Retirement Date not to disparage or defame Loosbrock, subject to an exception for communications with any federal, state or local government or administrative agency; in connection with communications undertaken for a legitimate legal reason; or otherwise as required by law.

13. Cooperation. Loosbrock agrees to cooperate with Deluxe with respect to any claims or lawsuits brought or threatened to be brought against the Released Parties, which relate to or involve Loosbrock's employment with Deluxe or any transactions, decisions, or actions of Deluxe in which Loosbrock was involved or had knowledge of while a Deluxe employee (the "Covered Subjects"). As part of Loosbrock's agreement to cooperate, Loosbrock agrees to be available upon reasonable notice at mutually-agreeable times to discuss with Deluxe and its counsel issues related to litigation or potential litigation exposure with respect to the Covered Subjects. Loosbrock also agrees to appear without subpoena for deposition or testimony at the request of Deluxe in connection with claims or lawsuits relating to Covered Subjects. Deluxe will reimburse Loosbrock for all reasonable and customary expenses she incurs while cooperating with Deluxe pursuant to this Section 13, in accordance with Deluxe's regular expense reimbursement practices.

14. Return of Information and Property. Loosbrock affirms that all originals and all copies of Deluxe's records, correspondence and documents, and all other property and assets of Deluxe, created or obtained by Loosbrock as a result of or in the course of or in connection with her employment with Deluxe which are in her possession or control, whether confidential or not, including, but not limited to, any notes, diaries, computer files or other documents containing information regarding Loosbrock's experiences or knowledge of Deluxe business or employee matters, have been returned to Deluxe prior to the Retirement Date.

15. Passwords and Password-Protected Documents. Loosbrock agrees that, prior to the Retirement Date, she will deliver to Deluxe all passwords in use by Loosbrock at the time of her termination, a list of any documents that Loosbrock has created or of which Loosbrock is otherwise aware are password-protected, and the password(s) necessary to access such password-protected documents.

16. Non-Assignability. Loosbrock understands and agrees that this Separation Agreement is personal to her. The duties, rights, and obligations set forth herein may not be delegated or assigned by Loosbrock to any other person without prior written consent of Deluxe. Deluxe's rights and obligations hereunder may be assigned to any successor following a sale of Deluxe or of Deluxe's assets, or any other transaction involving a change in control.

17. Governing Law; Severability. This Separation Agreement shall be governed by the laws of the State of Minnesota without regard to the choice of law provisions of any jurisdiction. If any part of this Separation Agreement is construed to be invalid and/or unenforceable, such part shall be modified to achieve the objective of the parties to the fullest extent permitted and the balance of this Separation Agreement shall remain in full force and effect. The language of all parts of this Separation Agreement shall be construed as a whole, according to its fair meaning, and not strictly for or against any of the parties.

18. Choice of Venue. The parties agree that any and all legal actions or proceedings brought to interpret or enforce this Separation Agreement or in any other way arising out of or in relation to this Separation Agreement shall be brought exclusively in the state or federal courts of the State of Minnesota and hereby consent to the jurisdiction of such courts for any such action and further waive any objection to the convenience of the forum or venue.

19. Entire Agreement. This Separation Agreement, the documents referenced herein or attached hereto, and the Award Agreements entered into between Loosbrock and Deluxe contain the

entire agreement between Loosbrock and Deluxe with respect to Loosbrock's employment and separation from employment and there are no promises or understandings outside of this Separation Agreement and the documents referenced herein with respect to Loosbrock's employment or separation from employment with Deluxe. Any modification of or addition to this Separation Agreement must be in a writing signed by Loosbrock and an appropriate representative of Deluxe.

20. Waiver. The waiver by either party of a breach by the other party of any provision of this Separation Agreement shall not operate or be construed as a waiver of any subsequent breach.

21. Section 409A Compliance. The right to a series of payments under this Separation Agreement will be treated as a right to a series of separate payments. Each payment under this Separation Agreement that is made within 2-1/2 months following the end of the year that contains the Retirement Date is intended to be exempt from Section 409A of the Internal Revenue Code ("Section 409A") as a short-term deferral within the meaning of the final regulations under Section 409A. Each payment under this Separation Agreement that is made later than 2-1/2 months following the end of the year that contains the Retirement Date is intended to be exempt from Section 409A under the two-times exception of Treasury Reg. § 1.409A-1(b)(9)(iii), up to the limitation on the availability of that exception specified in the regulation. If the timing of any payment subject to Section 409A could occur in one or more tax years depending on Loosbrock's employment-related actions, such as the signing of a release, then such payment will be made as soon as possible in the later tax year.

22. Enforcement. The remedies below are in addition to any other rights and remedies that Deluxe may have at law or in equity.

a. Injunctive Relief and Other Damages. Loosbrock acknowledges and agrees that her continuing obligations under Section 9 of this Separation Agreement are reasonable and necessary in order to protect and maintain the legitimate business interests of Deluxe, and that their enforcement would not prevent her from earning a livelihood. Loosbrock recognizes that her breach of Sections 6, 8, 9, 11, 12, 13, or 14 of this Separation Agreement, would result in irreparable injury to Deluxe, that in the event of their breach, Deluxe's remedy at law for damages will be inadequate, and that Deluxe shall be entitled to seek an injunction to restrain the continuing breach by Loosbrock, Loosbrock's partners, agents, servants, or employees, or any other persons or entities acting for or with Loosbrock as provided by law and/or equity. Deluxe may further be entitled to damages in connection with the enforcement of this Separation Agreement as provided by law and/or equity, and including the recovery of any profits and revenues obtained by Loosbrock while engaging in violations of her post-employment restrictions under Sections 6, 8, 9, 11, 12, 13, or 14 of this Separation Agreement. Loosbrock agrees that if she violates the terms of this Separation Agreement, she will reimburse the Released Parties for any attorneys' fees, costs, or other damages arising from her breach, other than Loosbrock challenging her waiver of claims under the Age Discrimination in Employment Act.

b. Liquidated Damages. In addition to, and without limiting, Deluxe's right to other damages, if Loosbrock violates Sections 7, 9, or 12 of this

Separation Agreement or the confidentiality provisions of the Prior Agreements, Deluxe will be entitled to liquidated damages in the amount of Ten Thousand dollars (\$10,000) per occurrence and Deluxe's attorney's fees and costs in enforcing this Section. In any claim under this Section, both parties waive their right to a jury trial.

23. Counterparts and Electronic Signatures. This Separation Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed an original, and the counterparts together shall constitute one and the same agreement. A copied, scanned, or faxed signature shall be treated the same as an original.

24. Loosbrock Representation. LOOSBROCK AFFIRMS THAT SHE HAS READ THIS SEPARATION AGREEMENT. LOOSBROCK ACKNOWLEDGES THAT SHE WAS PROVIDED WITH A REASONABLE AND SUFFICIENT PERIOD OF TIME TO CONSIDER WHETHER TO ACCEPT THIS SEPARATION AGREEMENT PRIOR TO SIGNING IT. LOOSBROCK AGREES THAT THE PROVISIONS OF THIS SEPARATION AGREEMENT ARE UNDERSTANDABLE TO HER, THAT SHE HAS ENTERED INTO THIS SEPARATION AGREEMENT FREELY AND VOLUNTARILY, AND THAT SHE HEREBY WAS ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO SIGNING THIS SEPARATION AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this Separation Agreement by their signatures below.

Dated: April 1, 2019 /s/ Julie M Loosbrock
Julie M. Loosbrock

Dated: April 1, 2019 Deluxe Corporation

By /s/ Jeffrey L. Cotter
Its SVP, Chief Administrative Officer
& General Counsel

EXHIBIT A

SECOND RELEASE OF CLAIMS

WHEREAS, on _____, Julie M. Loosbrock (“Loosbrock”) and Deluxe Corporation (“Deluxe”) entered into a Separation and Release Agreement to effect the termination of Loosbrock’s employment with Deluxe (the “Separation Agreement”);

WHEREAS, as consideration for Deluxe’s promises and obligations under the Separation Agreement, Loosbrock agreed to sign a second release of claims on or after the Retirement Date (the “Second Release”);

NOW, THEREFORE, Loosbrock agrees as follows:

1. Release of Claims. As an inducement to Deluxe to enter into the Separation Agreement, and in exchange for the consideration provided for in the Separation Agreement, Loosbrock hereby settles any and all claims that she has or may have against Deluxe and its predecessors, successors, assigns, parents, affiliates, subsidiaries and related companies, and its and their officers, employees, agents, assigns, insurers, representatives, counsel, administrators, successors, shareholders, directors and/or other representatives (collectively, the “Released Parties”) as a result of Deluxe’s hiring of Loosbrock, Loosbrock’s employment with Deluxe, the cessation of Loosbrock’s employment with Deluxe, or any act, occurrence, or omission occurring prior to the date of this Second Release.

For the consideration expressed in the Separation Agreement, Loosbrock, on behalf of herself and her heirs, successors, representatives and assigns, hereby releases and discharges the Released Parties from any and all claims, causes of action, liabilities, damages, and right to relief of any kind that Loosbrock has or ever had against the Released Parties, known or unknown, by reason of any matter or fact giving rise to this Second Release. Loosbrock’s release of claims is intended to extend to and includes, among other things, claims of any kind arising under or based upon the Age Discrimination in Employment Act, 29 U.S.C. §§ 621, *et seq.*; Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e *et seq.*; the Americans with Disabilities Act, 42 U.S.C. § 12101 *et seq.*; the Family and Medical Leave Act, 29 U.S.C. § 2601 *et seq.*; the Employment Retirement Income Security Act, 29 U.S.C. § 1001 *et seq.*; the Minnesota Human Rights Act; the Women’s Economic Security Act; the Minnesota Equal Pay for Equal Work Law, Minn. Stat. §§ 181.66-181.71; Minn. § 181.81; Minn. Stat. § 176.82; Minn. Stat. §§ 181.931, 181.932, 181.935; Minn. Stat. §§ 181.940-181.944; Minn. Stat. §§ 181.950-181.957; Minn. Stat. §§ 181.961-181.966, and any other federal, state, or local law, rule, or regulation prohibiting employment discrimination or otherwise relating to employment; and any claims based upon any other theory, whether legal or equitable, arising from or related to any matter or fact arising out the events giving rise to this Second Release.

Loosbrock also agrees and understands that she is giving up any and all other claims, whether grounded in contract or tort theories, including, but not limited to: wrongful discharge; breach of contract (including, without limitation, any claims for unpaid compensation); tortious interference with contractual relations; promissory estoppel; detrimental reliance; breach of the implied covenant of good faith and fair dealing; breach of express or implied promise; breach of manuals or other policies; breach of fiduciary duty; assault; battery; fraud; false imprisonment; invasion of privacy; intentional or negligent misrepresentation; defamation, including libel, slander, discharge defamation and self-publication defamation; discharge in violation of public policy; whistleblower; intentional or negligent infliction of emotional distress; and claims for punitive damages or attorneys’ fees or any other theory, whether legal or equitable.

Additionally, nothing in this Second Release purports to release or waive claims that may not be released or waived as a matter of law; claims based on events, occurrences, or omissions that occur after the date of the Second Release; or claims related to any already vested benefits under the terms of any of Deluxe's benefit plans. Similarly, nothing in this Second Release prevents Loosbrock from challenging the validity of this agreement or from filing any non-legally waivable claim with the Equal Employment Opportunity Commission ("EEOC"), National Labor Relations Board ("NLRB") or comparable state or local agency or participating in any investigation or proceeding conducted by the EEOC, NLRB, or comparable state or local agency; however, Loosbrock agrees and understands that the Second Release waives all claims and rights to monetary or other recovery for any legal claims to the fullest extent permitted by law.

This Second Release does not prohibit Loosbrock from reporting possible violations of federal law or regulation to any governmental agency or entity, including, but not limited to, the Department of Justice, the Securities and Exchange Commission ("SEC"), the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Nothing in this Second Release requires Loosbrock to seek prior authorization of Deluxe to make any such reports or disclosures and Loosbrock does not need and is not required to notify Deluxe that she has made any such reports or disclosures. This Second Release is not intended to and does not restrict Loosbrock from seeking or obtaining an SEC whistleblower award.

Finally, Loosbrock understands that under the U.S. Defend Trade Secrets Act of 2016, she will not be held criminally or civilly liable under any U.S. federal or state trade secret law for the disclosure of a trade secret that is made in confidence to government officials, either directly or indirectly, or to an attorney, in each case solely for the purpose of reporting or investigating a suspected violation of law, or in a complaint or other document filed in a lawsuit or other proceeding, provided such filing is made under seal. Loosbrock hereby represents that she is not aware of any violation of law as outlined in this Section.

2. Consideration Period and Advice to Consult with Counsel. Loosbrock is hereby informed that she has a period of twenty-one (21) days from Loosbrock's date of receipt to sign this Second Release, during which time Loosbrock may consult with an attorney and consider whether to sign Second Release. Changes to this Second Release, whether material or immaterial, will not restart the running of this twenty-one (21) day acceptance period. During this time, Deluxe advises and encourages Loosbrock to consult with an attorney of her choice. To receive the consideration provided for in the Separation Agreement, Loosbrock must return a signed and dated original copy of this Second Release to: Jeffrey L. Cotter, Chief Administrative Officer, General Counsel and Senior Vice President, Deluxe Corporation, 3680 Victoria Street North, Shoreview, MN 55126.

3. Right to Revoke and Rescind. Loosbrock is hereby informed of her right to revoke this Second Release as far as it extends to potential claims under the Age Discrimination in Employment Act ("ADEA"), 29 U.S.C. §§ 621 *et seq.* by written notice to Deluxe within seven (7) calendar days following Loosbrock's execution of this Second Release. Loosbrock is also informed of her right to rescind her release of claims, insofar as it extends to potential claims under the Minnesota Human Rights Act ("MHRA"), by informing Deluxe of Loosbrock's intent to do so within fifteen (15) calendar days following her signing of this Second Release. Any such revocation or rescission must be made in writing and delivered by hand or by certified mail, return receipt requested, postmarked on or before the last day of the applicable revocation or rescission period to the representative identified in Section 2.

If Loosbrock exercises her right to revoke or rescind her release of claims under the MHRA or ADEA, Deluxe may, at its option, either nullify the Separation Agreement in its entirety, or keep it in effect in all respects other than as to that portion of the release of claims that Loosbrock has revoked or rescinded. Loosbrock agrees and understands that if Deluxe chooses to nullify the Separation Agreement in its entirety, Deluxe will have no obligations under the Separation Agreement.

4. Loosbrock Representation. LOOSBROCK AFFIRMS THAT SHE HAS READ THIS SECOND RELEASE. LOOSBROCK ACKNOWLEDGES THAT SHE WAS PROVIDED WITH A REASONABLE AND SUFFICIENT PERIOD OF TIME TO CONSIDER WHETHER TO SIGN THIS SECOND RELEASE PRIOR TO SIGNING IT. LOOSBROCK AGREES THAT THE PROVISIONS OF THIS SECOND RELEASE ARE UNDERSTANDABLE TO HER, THAT SHE HAS ENTERED INTO THIS SECOND RELEASE FREELY AND VOLUNTARILY, AND THAT SHE HEREBY WAS ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO SIGNING THIS SECOND RELEASE.

[Do not sign before last day of employment.]

Dated: _____

Julie M. Loosbrock

**DELUXE
CORPORATION**

**RESTRICTED STOCK UNIT
AWARD AGREEMENT
(CEO - LTIP)**

AWARDED TO	AWARD DATE	TOTAL NUMBER OF RESTRICTED STOCK UNITS

1. **The Award.** Deluxe Corporation, a Minnesota corporation ("Deluxe"), hereby grants to you as of the above Award Date the above number of restricted stock units ("Units") on the terms and conditions contained in this Restricted Stock Unit Award Agreement (including the Addendum attached hereto, the "Agreement") and Deluxe's 2017 Long Term Incentive Plan (the "LTIP"), a copy of each of which has been provided to you. Deluxe hereby confirms the grant to you, as of the Award Date and subject to the terms and conditions in this Agreement and the Plan, of the number of Restricted Stock Units specified above (the "Units"). Each Unit represents the right to receive one share of Deluxe's common stock par value \$1.00 ("Common Stock"), when the restrictions applicable to each Unit expire or terminate as provided below. Prior to their settlement or forfeiture in accordance with the terms of this Agreement, the Units granted to you will be credited to an account in your name maintained by Deluxe. This account shall be unfunded and maintained for book-keeping purposes only, with the Units simply representing an unfunded and unsecured contingent obligation of Deluxe. Any capitalized term used but not defined in this Agreement shall have the meaning given to the term in the LTIP as it currently exists or may hereafter be amended.
2. **Restricted Period and Vesting.** The Units are subject to the restrictions contained in this Agreement and the LTIP for the Restricted Period (as defined below). As used herein, "Restricted Period," shall mean, with respect to each of the three equal segments of 33-1/3 percent of the Units each, a period commencing on the Award Date and, subject to Section 4, ending with respect to each segment on its respective vesting date. Subject to Sections 4 and 5, with respect to the Units, the restrictions on a segment will lapse and the applicable segment will vest and become non-forfeitable on each of the first, second, and third anniversaries of the Award Date, so long as your service to Deluxe has not previously ended.
3. **Restrictions.** The Units shall be subject to the following restrictions during the Restricted Period:
 - (a) The Units shall be subject to forfeiture to Deluxe until they vest as provided in this Agreement and the LTIP.
 - (b) The Units may not be sold, assigned, transferred or pledged during the Restricted Period. You may not transfer the right to receive the Units, other than by will or the laws of descent and distribution, and any such attempted transfer shall be void.
 - (c) Shares of Common Stock to be issued in settlement of vested Units will not be issued until the applicable time specified in Section 6 or 8.
 - (d) If cash or non-cash dividends or distributions are declared and paid by Deluxe with respect to its Common Stock, then at the same time that such dividends or distributions are paid to the shareholders you will have dividend equivalents credited to your account with respect to your Units. All such dividend equivalents shall be held by Deluxe without interest accruing thereon until the end of the Restricted Period, at which time Deluxe will pay you all such dividends and other distributions, less applicable income tax and social security tax withholding. Any dividend equivalent payments paid with respect to any Units shall be paid when, and only to the extent that, the underlying Units actually vest and are settled in shares of Common Stock. If the Units are forfeited, then all rights to such dividend and distribution payments shall also be forfeited.
4. **Acceleration of Vesting.**
 - (a) In the event your employment with Deluxe is terminated by reason of death, Disability (as defined in the Addendum) or Approved Retirement (as defined in the Addendum) any time during the Restricted Period, all of the yet unvested Units will vest and the Units shall become non-forfeitable as of the date of such termination.
 - (b) Subject to subparagraph 4(c), in the event (i) your employment is terminated on or prior to the second anniversary of the Award Date and is (x) by the Company without Cause or (y) by you for Good Reason; and (ii) you execute and do

not rescind a Release (as defined in the Employment Agreement) and remain at all times in material compliance with the restrictive covenants applicable to you, including but not limited to those continuing obligations set forth in the Employment Agreement, your Units shall continue to vest in accordance with timing set forth in Section 2 of this Agreement for the duration of the Restricted Period.

(c) Notwithstanding any provision contained in this Agreement that would result in Units vesting in full or in part at a later date, if, in connection with any Change of Control, the acquiring Person, surviving or acquiring corporation or entity, or an Affiliate of such corporation or entity, elects to assume the obligations of Deluxe under this Agreement and to replace the Shares issuable upon settlement of the Units with other equity securities that are listed on a national securities exchange (including by use of American Depository Receipts or any similar method) and are freely transferable under all applicable federal and state securities laws and regulations ("Replacement Equity Securities"), the Units then subject to restriction shall continue to vest as set forth in Section 2, provided, however, the Units shall vest in full and become non-forfeitable if, within twelve months of the date of the Change of Control:

- (i) Your employment with the Company is terminated by the Company without Cause,
- (ii) Your employment with the Company is terminated by you for Good Reason, or
- (iii) Vesting would otherwise occur on any earlier date as provided under this Agreement.

In the event of any such Change of Control, the number of Replacement Equity Securities issuable under this Agreement shall be determined by the Committee in accordance with Section 4(c) of the Plan. In the event of any such Change of Control, all references herein to the Shares shall thereafter be deemed to refer to the Replacement Equity Securities, references to Deluxe or the Company shall thereafter be deemed to refer to the issuer of such Replacement Equity Securities, and all other terms of this Agreement shall continue in effect except as and to the extent modified by this subparagraph.

(d) If the Change of Control does not meet the continuation or replacement criteria specified in Section 4(c) above, all Units then subject to restriction shall vest in full immediately and become non-forfeitable upon the Change of Control.

(e) The provisions of this Section 4 shall be subject to Sections 5(b) and 8.

5. Forfeiture.

- (a) Subject to the provisions of Section 4, in the event your employment is terminated during the Restricted Period, your rights to all of the unvested Units shall be immediately and irrevocably forfeited.
- (b) Notwithstanding any other provisions of this Agreement, in the event you engage in a Forfeiture Activity (as defined below) during the Restricted Period, your rights to all of the Units that have not yet been settled, whether or not vested, shall be immediately and irrevocably forfeited.
- (c) If, at any time within 12 months after the date any portion of this Award has vested and settled as provided in Sections 6 or 8, you engage in any Forfeiture Activity (as defined below), then the value of the Shares (and the amount of any associated dividend equivalents) received by you pursuant to such vesting and settlement must be paid to Deluxe within 30 days of demand by Deluxe. For purposes hereof, the value of the Shares received by you in settlement of the vested Units shall be determined by utilizing the closing price on the New York Stock Exchange of a share of Deluxe's Common Stock on the vesting date (without regard to any subsequent increase or decrease in the fair market value of such Shares).
- (d) As used herein, you shall be deemed to have engaged in a Forfeiture Activity if you (i) directly or indirectly, engage in any business activity on your own behalf or as a partner, shareholder, director, trustee, principal, agent, employee, consultant or otherwise of any person or entity which is in any respect in competition with or competitive with Deluxe or you solicit, entice or induce any employee or representative of Deluxe to engage in any such activity, (ii) directly or indirectly solicit, entice or induce (or assist any other person or entity in soliciting, enticing or inducing) any customer or potential customer (or agent, employee or consultant of any customer or potential customer) with whom you had contact in the course of your employment with Deluxe to deal with a competitor of Deluxe, (iii) fail to hold in a fiduciary capacity for the benefit of Deluxe all confidential information, knowledge and data, including customer lists and information, business plans and business strategy ("Confidential Data") relating in any way to the business of Deluxe for so long as such Confidential Data remains confidential, or (iv) are terminated by Deluxe for Cause.
- (e) If any court of competent jurisdiction shall determine that the foregoing forfeiture provisions are invalid in any respect, the court so holding may limit such provisions in any manner which the court determines such that the provision shall be enforceable against you.
- (f) By accepting this Agreement, you consent to a deduction from any amounts Deluxe owes you from time to time (including amounts owed to you as wages or other compensation, fringe benefits, or vacation pay, as well as any

other amounts owed to you by Deluxe), to the extent of the amount you owe Deluxe under the foregoing provisions. Whether or not Deluxe elects to make any set-off in whole or in part, if Deluxe does not recover by means of set-off the full amount you owe, calculated as set forth above, you agree to pay immediately the unpaid balance to Deluxe.

(g) You will be released from the forfeiture provisions of Section 5(d)(i) in the event your employment with Deluxe has been involuntarily terminated without Cause. Otherwise, you may be released from the foregoing forfeiture provisions only if the Committee (or is duly appointed agent) determines in its sole discretion that such action is in the best interests of Deluxe.

(h) Nothing contained in this Section 5 shall be construed to limit the provisions of Section 6(h) of the Plan (dealing with recoupment of awards made to certain officers of Deluxe), which are incorporated into this Agreement by reference.

6. **Settlement of Units and Delivery of Shares of Common Stock.** Subject to Section 5 and except as otherwise provided in Section 8, after any Units vest pursuant to Section 2 or Section 4, as applicable, Deluxe shall, as soon as practicable (but no later than 74 days after the applicable vesting date) cause to be issued and delivered to you (or to your personal representative or your designated beneficiary or estate in the event of your death, as applicable) one share of Common Stock in payment and settlement of each vested Unit along with any dividends or distributions referenced in Section 3(d). Delivery of shares of Common Stock shall be effected by the issuance of a stock certificate to you, by an appropriate entry in the stock register maintained by Deluxe's transfer agent with a notice of issuance provided to you, or by the electronic delivery of the shares of Common Stock to a brokerage account for your benefit, and shall be subject to the tax withholding provisions of Section 9 and compliance with all applicable legal requirements as provided in the LTIP, and shall be in complete satisfaction and settlement of such vested Units. If the Units that vest include a fractional Unit, Deluxe shall round the number of vested Units to the nearest whole Unit prior to issuance of shares of Common Stock as provided herein.
7. **Rights.** The Units subject to this award do not entitle you to any rights of a holder of Common Stock. You will not have any of the rights of a shareholder of Deluxe in connection with the grant of Units subject to this Agreement unless and until shares of Common Stock are issued to you upon settlement of the Units as provided in Section 6 or 8.
8. **409A Compliance.** This Section 8 will apply only if the Award evidenced by this Agreement provides for the deferral of compensation within the meaning of Section 409A of the Internal Revenue Code and the IRS regulations thereunder ("Section 409A"). If your employment is terminated prior to the end of the Restricted Period, but the termination does not constitute a "separation from service" as defined in Section 409A, then you will have the right to receive the applicable payment described in Section 4, but such payment will be delayed until the earliest of the date on which you incur a separation from service as defined in Section 409A, the end of the Restricted Period, or if Section 4(d) is applicable, the date on which a change in control event occurs as defined in Section 409A (as described in the Addendum). This could occur if, for example, your employment is terminated but you are retained as a consultant or independent contractor to provide services to Deluxe or an Affiliate at a rate which is at least 50% of the rate at which you were providing services as an employee. It is also possible that you may incur a separation from service as defined in Section 409A even though your employment has not been terminated, for example if you become a part-time employee and are providing services at a rate that is less than 50% of the rate at which you provided services as a full-time employee. If this were to occur you would receive a payment as described in Section 4(b) calculated as if your employment had been terminated by Deluxe without Cause. The provisions of this paragraph shall also apply to the issuance of Shares to which you are entitled upon your Approved Retirement as provided in Section 4(a) if your Approved Retirement does not constitute a separation from service.

If the Change of Control described in Section 4(c) or Section 4(d) does not constitute a "change in control event" as defined in Section 409A, then your Units will become fully vested as provided therein, but settlement of the Units and issuance of the equity shall not occur until the earliest of the date on which you incur a separation from service as defined in Section 409A, the end of the Restricted Period, the date of your termination due to Disability or the date on which a change in control event as defined in Section 409A occurs

Notwithstanding any other provision of this Agreement, if you are a "specified employee" as defined in Section 409A at the time any amount would otherwise become payable to you by reason of a separation from service as defined in Section 409A (including any shares of Common Stock that become issuable upon an Approved Retirement, or upon the occurrence of a Change of Control, but the issuance of which is deferred until a separation from service because the Change of Control did not constitute a change in control event), such payment shall not occur until the first business day that is more than six months following the date of such separation from service (or, if earlier, the date of your death). In general, "specified employees" are the 50 most highly compensated officers and policy making personnel of Deluxe and its Affiliates.

9. **Income Taxes.** You are liable for any federal, state and local income taxes as well as payroll taxes applicable upon the vesting or settlement of the Units subject to this Agreement, and you acknowledge that you should consult with your own tax advisor regarding the applicable tax consequences. Upon the distribution of shares of Common Stock and payment of any associated dividend equivalents, you shall promptly pay to Deluxe the amount of all applicable taxes required by Deluxe to be withheld or collected upon the distribution of the shares of Common Stock in settlement of the vested Units

and payment of any dividend equivalents, such amount to be paid in cash or in previously acquired shares of Common Stock having a fair market value equal to the tax withholding amount. In the alternative, you may direct Deluxe to withhold from shares of Common Stock otherwise to be distributed the number of Deluxe shares having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld upon the distribution of the shares of Common Stock, and to withhold from any dividend equivalent payments an amount equal to the applicable taxes associated therewith, and to withhold from any dividend equivalent payments an amount equal to the applicable taxes associated therewith. You acknowledge that no shares of Common Stock will be distributed to you or dividend equivalent payments made unless and until you have satisfied any obligation for withholding taxes as provided in this Agreement.

10. Terms and Conditions. This Agreement and the award of Units and the issuance of shares of Common Stock hereunder are subject to and governed by the provisions of the LTIP. In the event there are any inconsistencies between this Agreement and the LTIP, the provisions of the LTIP shall govern, as it may be amended or interpreted at Deluxe's discretion, to meet any applicable requirements of Section 409A of the Internal Revenue Code.

By your acceptance of this restricted stock unit award, you agree to all of the terms and conditions contained in this Agreement and in the LTIP documents. You acknowledge that you have received and reviewed these documents and that they set forth the entire agreement between you and Deluxe regarding the Units.

DELUXE CORPORATION

By: _____

ADDENDUM TO RESTRICTED STOCK UNIT AWARD AGREEMENT

For the purposes hereof, the terms used herein shall have the following meanings:

“Approved Retirement” shall mean any voluntary termination of employment that occurs on or after the date on which the sum of your age and years of employment with Deluxe and/or its Affiliates equals at least seventy-five (75) and that is approved by the Compensation Committee of the Board.

“Beneficial Owner” shall have the meaning defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.

“Cause” shall mean that one of the following events or conditions has occurred during the Employment Term (as defined in the Employment Agreement):

- (i) willful act or acts of dishonesty undertaken by you that result in your substantial gain or personal enrichment at the expense of the Company;
- (ii) unlawful conduct or gross misconduct that is willful and deliberate on your part and is or is reasonably likely to be injurious to the business, finances or reputation of the Company;
- (iii) your conviction of, or your plea of guilty or no-contest to, a gross misdemeanor involving moral turpitude or a felony;
- (iv) your material breach of any terms, conditions or representations of the Employment Agreement or of any material written policies of the Company, which failure or breach, if curable, has not been cured by you to the reasonable satisfaction of the Board within thirty (30) days after written notice thereof to you from the Company.

For purposes of this definition of “Cause”, no act or failure to act shall be treated as “willful” unless done, or omitted to be done, by you not in good faith and without the reasonable belief that your action or omission was in the best interest of the Company.

A “Change of Control” shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

- (i) any Person becomes the Beneficial Owner, directly or indirectly, of securities of Deluxe representing 30% or more of the combined voting power of Deluxe’s then outstanding securities, excluding, at the time of their original acquisition, from the calculation of securities beneficially owned by such Person any securities acquired directly from Deluxe or its Affiliates or in connection with a transaction described in paragraph (iii) below; or
- (ii) the individuals who at the date of your award election hereunder constitute the Board and any new director (other than a director whose initial assumption of office occurs within a year of and is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Deluxe) whose appointment or election by the Board or nomination for election by Deluxe’s shareholders was approved or recommended by a vote of a majority of the directors then still in office who either were directors at the date of your award election hereunder or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof; or
- (iii) the shareholders of Deluxe approve a plan of complete liquidation of Deluxe or there is consummated (A) a merger, consolidation, share exchange or similar transaction involving Deluxe, regardless of whether Deluxe is the surviving corporation or (B) the sale or disposition by Deluxe of all or substantially all Deluxe’s assets, other than a sale or disposition by Deluxe of all or substantially all of Deluxe’s assets to an entity, unless, immediately following such corporate transaction, all or substantially all of the individuals and entities who were the beneficial owners of Deluxe’s voting securities immediately prior to such corporate transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the surviving or acquiring entity resulting from such corporate transaction (including beneficial ownership through any Parent of such entity) in substantially the same proportions as their ownership, immediately prior to such corporate transaction, of Deluxe’s voting securities.

Notwithstanding the foregoing, a “Change of Control” shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of Common Stock of Deluxe

immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Deluxe immediately following such transaction or series of transactions.

"Company" shall mean Deluxe (including any successor corporation) and its Affiliates.

"Disability" shall have the meaning set forth in the Company's group long-term disability plan applicable to you for purposes of eligibility for long-term disability benefits; *provided*, if no such plan or definition exists, then "Disability" shall mean your inability to perform on a full-time basis the duties and responsibilities of your position with the Company by reason of your illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of 120 days or more during any 180-day period. A period of inability shall be "uninterrupted" unless and until you return to full-time work for a continuous period of at least thirty (30) days.

"Employment Agreement" means that certain employment agreement by and between Deluxe and you, Mr. Barry C. McCarthy, dated October 14, 2018.

"Good Reason" shall mean the occurrence of any of the following without your consent and not caused by you:

- (i) the assignment to you of any position and/or duties, or any other action by the Company, that results in a material diminution in your position, authority, duties or responsibilities, excluding any diminution attributable solely to the fact that the Company is no longer a public company;
- (ii) any material reduction in your Base Salary (as defined in the Employment Agreement) or AIP target opportunity (as defined in the Employment Agreement) (other than a reduction of not more than 10% of your then-current Base Salary made as part of an across-the-board reduction);
- (iii) any material breach by the Company of the Employment Agreement, including but not limited to a requirement that you report to anyone other than the Board or the failure of any successor to all or substantially all of the business or assets of the Company to assume the Employment Agreement in writing (other than in the case of merger by which transfer of the Employment Agreement occurs by operation of law), or any other written agreement between you and the Company;
- (iv) a requirement that you relocate your primary work location by more than 50 miles; or
- (v) any request or requirement by the Company that you take any action or omit to take any action that is inconsistent with or in violation of the Company's ethical guidelines and policies as the same existed within the 120-day period prior to the termination date,

provided, however, that such events shall constitute Good Reason only if (A) within thirty (30) days following the occurrence of an event claimed to constitute Good Reason, you give the Company written notice of such event, (B) the Company fails to cure such event within thirty (30) days after receipt of such written notice, and (C) the effective date of your termination of employment is within 180 days following expiration of such cure period.

"Person" shall have the meaning defined in Section 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended, except that such term shall not include (i) Deluxe or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of Deluxe or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of Deluxe in substantially the same proportions as their ownership of Common Stock of Deluxe.

For all purposes of this Award Agreement "separation from service", "specified employee", and "change in control event" shall have the meanings set forth in Treasury Regulations §1.409A-1(h), §1.409A-1(i), and §1.409A-3(i)(5), respectively, without regard to any of the optional provisions set forth in such regulations, except that

- (i) for purposes of Treas. Reg. §1.409A-1(h)(1)(ii), an employee shall be considered to have incurred a separation from service on the date on which it is reasonably anticipated that the level of bona fide services the employee will perform after such date (whether as an employee or as an independent contractor) will permanently decrease to less than 50 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the employer if the employee has been providing services to the employer less than 36 months); and
- (ii) for purposes of identifying specified employees the safe harbor definition of compensation contained in Treas. Reg. §1.415(c)-2(d)(4) (compensation required to be reported on Form W-2 plus elective deferrals) shall be used, and compensation paid to a nonresident alien that is not effectively connected with the conduct of a trade or business within the United States shall be excluded.

**DELUXE
CORPORATION**

**RESTRICTED STOCK UNIT
AWARD AGREEMENT
(US Employees) (LTIP)**

AWARDED TO	AWARD DATE	TOTAL NUMBER OF RESTRICTED STOCK UNITS

1. **The Award.** Deluxe Corporation, a Minnesota corporation ("Deluxe"), hereby grants to you as of the above Award Date the above number of restricted stock units ("Units") on the terms and conditions contained in this Restricted Stock Unit Award Agreement (including the Addendum attached hereto, the "Agreement") and Deluxe's 2017 Long Term Incentive Plan (the "LTIP"), a copy of each of which has been provided to you. Deluxe hereby confirms the grant to you, as of the Award Date and subject to the terms and conditions in this Agreement and the Plan, of the number of Restricted Stock Units specified above (the "Units"). Each Unit represents the right to receive one share of Deluxe's common stock par value \$1.00 ("Common Stock"), when the restrictions applicable to each Unit expire or terminate as provided below. Prior to their settlement or forfeiture in accordance with the terms of this Agreement, the Units granted to you will be credited to an account in your name maintained by Deluxe. This account shall be unfunded and maintained for book-keeping purposes only, with the Units simply representing an unfunded and unsecured contingent obligation of Deluxe. Any capitalized term used but not defined in this Agreement shall have the meaning given to the term in the LTIP as it currently exists or may hereafter be amended.
 2. **Restricted Period and Vesting.** The Units are subject to the restrictions contained in this Agreement and the LTIP for the Restricted Period (as defined below). As used herein, "Restricted Period," shall mean, with respect to each of the [] segments of [] percent of the Units each, a period commencing on the Award Date and, subject to Section 4, ending with respect to each segment on its respective vesting date. Subject to Sections 4 and 5, with respect to the Units, the restrictions on a segment will lapse and the applicable segment will vest and become non-forfeitable on each of the [] and [] anniversary of the Award Date, so long as your service to Deluxe has not previously ended.
 3. **Restrictions.** The Units shall be subject to the following restrictions during the Restricted Period:
 - (a) The Units shall be subject to forfeiture to Deluxe until they vest as provided in this Agreement and the LTIP.
 - (b) The Units may not be sold, assigned, transferred or pledged during the Restricted Period. You may not transfer the right to receive the Units, other than by will or the laws of descent and distribution, and any such attempted transfer shall be void.
 - (c) Shares of Common Stock to be issued in settlement of vested Units will not be issued until the applicable time specified in Section 6 or 8.
 - (d) If cash or non-cash dividends or distributions are declared and paid by Deluxe with respect to its Common Stock, then at the same time that such dividends or distributions are paid to the shareholders you will have dividend equivalents credited to your account with respect to your Units. All such dividend equivalents shall be held by Deluxe without interest accruing thereon until the end of the Restricted Period, at which time Deluxe will pay you all such dividends and other distributions, less applicable income tax and social security tax withholding. Any dividend equivalent payments paid with respect to any Units shall be paid when, and only to the extent that, the underlying Units actually vest and are settled in shares of Common Stock. If the Units are forfeited, then all rights to such dividend and distribution payments shall also be forfeited.
 4. **Acceleration of Vesting.**
 - (a) In the event your employment with Deluxe is terminated by reason of death, Disability (as defined in the Addendum) or Approved Retirement (as defined in the Addendum) any time during the Restricted Period, all of the yet unvested Units will vest and the Units shall become non-forfeitable as of the date of such termination.
 - (b) Subject to Section 4(c), in the event your employment is terminated [during/on or after the first anniversary of the Award Date but prior to the end of] the Restricted Period by reason of involuntary termination without Cause, a pro rata portion of the next segment of Units scheduled to vest after the termination date (based on the number of completed days
-

between the termination date and the scheduled vesting date immediately prior to the termination date (or the Award Date if there was no such scheduled vesting date) divided by 365) shall vest and become non-forfeitable as of the date of such termination.

(c) Notwithstanding any provision contained in this Agreement that would result in Units vesting in full or in part at a later date, if, in connection with any Change of Control, the acquiring Person, surviving or acquiring corporation or entity, or an Affiliate of such corporation or entity, elects to assume the obligations of Deluxe under this Agreement and to replace the Shares issuable upon settlement of the Units with other equity securities that are listed on a national securities exchange (including by use of American Depositary Receipts or any similar method) and are freely transferable under all applicable federal and state securities laws and regulations ("Replacement Equity Securities"), the Units then subject to restriction shall continue to vest as set forth in Section 2, provided, however, the Units shall vest in full and become non-forfeitable if, within twelve months of the date of the Change of Control:

- (i) Your employment with the Company is terminated by the Company without Cause,
- (ii) Your employment with the Company is terminated by you for Good Reason, or
- (iii) Vesting would otherwise occur on any earlier date as provided under this Agreement.

In the event of any such Change of Control, the number of Replacement Equity Securities issuable under this Agreement shall be determined by the Committee in accordance with Section 4(c) of the Plan. In the event of any such Change of Control, all references herein to the Shares shall thereafter be deemed to refer to the Replacement Equity Securities, references to Deluxe or the Company shall thereafter be deemed to refer to the issuer of such Replacement Equity Securities, and all other terms of this Agreement shall continue in effect except as and to the extent modified by this subparagraph.

(d) If the Change of Control does not meet the continuation or replacement criteria specified in Section 4(c) above, all Units then subject to restriction shall vest in full immediately and become non-forfeitable upon the Change of Control.

(e) The provisions of this Section 4 shall be subject to Sections 5(b) and 8.

5. Forfeiture.

(a) Subject to the provisions of Section 4, in the event your employment is terminated during the Restricted Period, your rights to all of the unvested Units shall be immediately and irrevocably forfeited.

(b) Notwithstanding any other provisions of this Agreement, in the event you engage in a Forfeiture Activity (as defined below) during the Restricted Period, your rights to all of the Units that have not yet been settled, whether or not vested, shall be immediately and irrevocably forfeited.

(c) If, at any time within 12 months after the date any portion of this Award has vested and settled as provided in Sections 6 or 8, you engage in any Forfeiture Activity (as defined below), then the value of the Shares (and the amount of any associated dividend equivalents) received by you pursuant to such vesting and settlement must be paid to Deluxe within 30 days of demand by Deluxe. For purposes hereof, the value of the Shares received by you in settlement of the vested Units shall be determined by utilizing the closing price on the New York Stock Exchange of a share of Deluxe's Common Stock on the vesting date (without regard to any subsequent increase or decrease in the fair market value of such Shares).

(d) As used herein, you shall be deemed to have engaged in a Forfeiture Activity if you (i) directly or indirectly, engage in any business activity on your own behalf or as a partner, shareholder, director, trustee, principal, agent, employee, consultant or otherwise of any person or entity which is in any respect in competition with or competitive with Deluxe or you solicit, entice or induce any employee or representative of Deluxe to engage in any such activity, (ii) directly or indirectly solicit, entice or induce (or assist any other person or entity in soliciting, enticing or inducing) any customer or potential customer (or agent, employee or consultant of any customer or potential customer) with whom you had contact in the course of your employment with Deluxe to deal with a competitor of Deluxe, (iii) fail to hold in a fiduciary capacity for the benefit of Deluxe all confidential information, knowledge and data, including customer lists and information, business plans and business strategy ("Confidential Data") relating in any way to the business of Deluxe for so long as such Confidential Data remains confidential, or (iv) are terminated by Deluxe for Cause.

(e) If any court of competent jurisdiction shall determine that the foregoing forfeiture provisions are invalid in any respect, the court so holding may limit such provisions in any manner which the court determines such that the provision shall be enforceable against you.

(f) By accepting this Agreement, you consent to a deduction from any amounts Deluxe owes you from time to time (including amounts owed to you as wages or other compensation, fringe benefits, or vacation pay, as well as any other amounts owed to you by Deluxe), to the extent of the amount you owe Deluxe under the foregoing provisions.

Whether or not Deluxe elects to make any set-off in whole or in part, if Deluxe does not recover by means of set-off the full amount you owe, calculated as set forth above, you agree to pay immediately the unpaid balance to Deluxe.

(g) You will be released from the forfeiture provisions of Section 5(d)(i) in the event your employment with Deluxe has been involuntarily terminated without Cause. Otherwise, you may be released from the foregoing forfeiture provisions only if the Committee (or is duly appointed agent) determines in its sole discretion that such action is in the best interests of Deluxe.

(h) Nothing contained in this Section 5 shall be construed to limit the provisions of Section 6(h) of the Plan (dealing with recoupment of awards made to certain officers of Deluxe), which are incorporated into this Agreement by reference.

6. **Settlement of Units and Delivery of Shares of Common Stock.** Subject to Section 5 and except as otherwise provided in Section 8, after any Units vest pursuant to Section 2 or Section 4, as applicable, Deluxe shall, as soon as practicable (but no later than 74 days after the applicable vesting date) cause to be issued and delivered to you (or to your personal representative or your designated beneficiary or estate in the event of your death, as applicable) one share of Common Stock in payment and settlement of each vested Unit along with any dividends or distributions referenced in Section 3(d). Delivery of shares of Common Stock shall be effected by the issuance of a stock certificate to you, by an appropriate entry in the stock register maintained by Deluxe's transfer agent with a notice of issuance provided to you, or by the electronic delivery of the shares of Common Stock to a brokerage account for your benefit, and shall be subject to the tax withholding provisions of Section 9 and compliance with all applicable legal requirements as provided in the LTIP, and shall be in complete satisfaction and settlement of such vested Units. If the Units that vest include a fractional Unit, Deluxe shall round the number of vested Units to the nearest whole Unit prior to issuance of shares of Common Stock as provided herein.
7. **Rights.** The Units subject to this award do not entitle you to any rights of a holder of Common Stock. You will not have any of the rights of a shareholder of Deluxe in connection with the grant of Units subject to this Agreement unless and until shares of Common Stock are issued to you upon settlement of the Units as provided in Section 6 or 8.
8. **409A Compliance.** This Section 8 will apply only if the Award evidenced by this Agreement provides for the deferral of compensation within the meaning of Section 409A of the Internal Revenue Code and the IRS regulations thereunder ("Section 409A"). If your employment is terminated prior to the end of the Restricted Period, but the termination does not constitute a "separation from service" as defined in Section 409A, then you will have the right to receive the applicable payment described in Section 4, but such payment will be delayed until the earliest of the date on which you incur a separation from service as defined in Section 409A, the end of the Restricted Period, or if Section 4(d) is applicable, the date on which a change in control event occurs as defined in Section 409A (as described in the Addendum). This could occur if, for example, your employment is terminated but you are retained as a consultant or independent contractor to provide services to Deluxe or an Affiliate at a rate which is at least 50% of the rate at which you were providing services as an employee. It is also possible that you may incur a separation from service as defined in Section 409A even though your employment has not been terminated, for example if you become a part-time employee and are providing services at a rate that is less than 50% of the rate at which you provided services as a full-time employee. If this were to occur you would receive a payment as described in Section 4(b) calculated as if your employment had been terminated by Deluxe without Cause. The provisions of this paragraph shall also apply to the issuance of Shares to which you are entitled upon your Approved Retirement as provided in Section 4(a) if your Approved Retirement does not constitute a separation from service.

If the Change of Control described in Section 4(c) or Section 4(d) does not constitute a "change in control event" as defined in Section 409A, then your Units will become fully vested as provided therein, but settlement of the Units and issuance of the equity shall not occur until the earliest of the date on which you incur a separation from service as defined in Section 409A, the end of the Restricted Period, the date of your termination due to Disability or the date on which a change in control event as defined in Section 409A occurs

Notwithstanding any other provision of this Agreement, if you are a "specified employee" as defined in Section 409A at the time any amount would otherwise become payable to you by reason of a separation from service as defined in Section 409A (including any shares of Common Stock that become issuable upon an Approved Retirement, or upon the occurrence of a Change of Control, but the issuance of which is deferred until a separation from service because the Change of Control did not constitute a change in control event), such payment shall not occur until the first business day that is more than six months following the date of such separation from service (or, if earlier, the date of your death). In general, "specified employees" are the 50 most highly compensated officers and policy making personnel of Deluxe and its Affiliates.

9. **Income Taxes.** You are liable for any federal, state and local income taxes as well as payroll taxes applicable upon the vesting or settlement of the Units subject to this Agreement, and you acknowledge that you should consult with your own tax advisor regarding the applicable tax consequences. Upon the distribution of shares of Common Stock and payment of any associated dividend equivalents, you shall promptly pay to Deluxe the amount of all applicable taxes required by Deluxe to be withheld or collected upon the distribution of the shares of Common Stock in settlement of the vested Units and payment of any dividend equivalents, such amount to be paid in cash or in previously acquired shares of Common

Stock having a fair market value equal to the tax withholding amount. In the alternative, you may direct Deluxe to withhold from shares of Common Stock otherwise to be distributed the number of Deluxe shares having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld upon the distribution of the shares of Common Stock, and to withhold from any dividend equivalent payments an amount equal to the applicable taxes associated therewith, and to withhold from any dividend equivalent payments an amount equal to the applicable taxes associated therewith. You acknowledge that no shares of Common Stock will be distributed to you or dividend equivalent payments made unless and until you have satisfied any obligation for withholding taxes as provided in this Agreement.

- 10. Terms and Conditions.** This Agreement and the award of Units and the issuance of shares of Common Stock hereunder are subject to and governed by the provisions of the LTIP. In the event there are any inconsistencies between this Agreement and the LTIP, the provisions of the LTIP shall govern, as it may be amended or interpreted at Deluxe's discretion, to meet any applicable requirements of Section 409A of the Internal Revenue Code.

By your acceptance of this restricted stock unit award, you agree to all of the terms and conditions contained in this Agreement and in the LTIP documents. You acknowledge that you have received and reviewed these documents and that they set forth the entire agreement between you and Deluxe regarding the Units.

DELUXE CORPORATION

By: _____

ADDENDUM TO RESTRICTED STOCK UNIT AWARD AGREEMENT

For the purposes hereof, the terms used herein shall have the following meanings:

"Approved Retirement" shall mean any voluntary termination of employment that occurs on or after the date on which the sum of your age and years of employment with Deluxe and/or its Affiliates equals at least seventy-five (75) and that is approved by the Compensation Committee of the Board.

"Beneficial Owner" shall have the meaning defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.

"Cause" shall mean (i) you have breached your obligations of confidentiality to Deluxe or its Affiliates; (ii) you have otherwise failed to perform your duties and do not cure such failure within thirty (30) days after receipt of written notice thereof; (iii) you commit an act, or omit to take action, in bad faith which results in material detriment to Deluxe or its Affiliates; (iv) you have had excessive absences unrelated to illness or vacation ("excessive" shall be defined in accordance with local employment customs); (v) you have committed fraud, misappropriation, embezzlement or other act of dishonesty in connection with Deluxe or its Affiliates or its businesses; (vi) you have been convicted or have pleaded guilty or nolo contendere to a felony or a gross misdemeanor, which gross misdemeanor involves a breach of ethics, moral turpitude, or immoral or other conduct reflecting adversely upon the reputation or interest of Deluxe or its Affiliates; (vii) your unlawful conduct or gross misconduct that is or is reasonably likely to be injurious to the business, finances or reputation of Deluxe; or (viii) you are in default under any agreement between you and Deluxe or any of its Affiliates following any applicable notice and cure period.

A "Change of Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

- (i) any Person becomes the Beneficial Owner, directly or indirectly, of securities of Deluxe representing 30% or more of the combined voting power of Deluxe's then outstanding securities, excluding, at the time of their original acquisition, from the calculation of securities beneficially owned by such Person any securities acquired directly from Deluxe or its Affiliates or in connection with a transaction described in paragraph (iii) below; or
- (ii) the individuals who at the date of your award election hereunder constitute the Board and any new director (other than a director whose initial assumption of office occurs within a year of and is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Deluxe) whose appointment or election by the Board or nomination for election by Deluxe's shareholders was approved or recommended by a vote of a majority of the directors then still in office who either were directors at the date of your award election hereunder or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof; or
- (iii) the shareholders of Deluxe approve a plan of complete liquidation of Deluxe or there is consummated (A) a merger, consolidation, share exchange or similar transaction involving Deluxe, regardless of whether Deluxe is the surviving corporation or (B) the sale or disposition by Deluxe of all or substantially all Deluxe's assets, other than a sale or disposition by Deluxe of all or substantially all of Deluxe's assets to an entity, unless, immediately following such corporate transaction, all or substantially all of the individuals and entities who were the beneficial owners of Deluxe's voting securities immediately prior to such corporate transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the surviving or acquiring entity resulting from such corporate transaction (including beneficial ownership through any Parent of such entity) in substantially the same proportions as their ownership, immediately prior to such corporate transaction, of Deluxe's voting securities.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of Common Stock of Deluxe immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Deluxe immediately following such transaction or series of transactions.

"Disability" shall mean that you are suffering from a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, and that as a result of such impairment either: (i) you have received disability benefits for a period of not less than three months under a long or short-term disability plan or policy (or both), and are eligible for benefits under the long-term disability plan of Deluxe or any Affiliate of which you are employed at the time of such disability; or (ii) in the event that your employer does not have a long-term disability plan in effect at such time, you are unable to engage in any substantial gainful activity.

"Good Reason" shall mean:

- (i) except with your written consent given in your discretion, (a) the assignment to you of any position and/or duties which represent or otherwise entail a material diminution in your position, authority, duties or responsibilities, or (b) any other action by the Company which results in a material diminution in your position (or positions) with the Company, excluding any diminution attributable to Deluxe's bankruptcy or insolvency or to the fact that Deluxe is no longer a public company;
- (ii) any material reduction in your aggregate compensation and incentive opportunities, or any material failure by the Company to comply with any other written agreement between you and the Company;
- (iii) the Company's requiring you to be based at any location more than 50 miles from your then current location; or
- (iv) any request or requirement by the Company that you take any action or omit to take any action that is inconsistent with or in violation of the Company's ethical guidelines and policies as the same existed within the 120-day period prior to the termination date or any professional ethical guidelines or principles that may be applicable to you,

provided, however, that such events shall constitute Good Reason only if (A) within thirty (30) days following the occurrence of an event claimed to constitute Good Reason, you give Deluxe written notice of such event, (B) Deluxe fails to cure such event within thirty (30) days after receipt of such written notice, and (C) the effective date of your termination of employment is within 180 days following expiration of such cure period.

"Person" shall have the meaning defined in Section 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended, except that such term shall not include (i) Deluxe or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of Deluxe or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of Deluxe in substantially the same proportions as their ownership of Common Stock of Deluxe.

For all purposes of this Award Agreement "separation from service", "specified employee", and "change in control event" shall have the meanings set forth in Treasury Regulations §1.409A-1(h), §1.409A-1(i), and §1.409A-3(i)(5), respectively, without regard to any of the optional provisions set forth in such regulations, except that

- (i) for purposes of Treas. Reg. §1.409A-1(h)(1)(ii), an employee shall be considered to have incurred a separation from service on the date on which it is reasonably anticipated that the level of bona fide services the employee will perform after such date (whether as an employee or as an independent contractor) will permanently decrease to less than 50 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the employer if the employee has been providing services to the employer less than 36 months); and
- (ii) for purposes of identifying specified employees the safe harbor definition of compensation contained in Treas. Reg. §1.415(c)-2(d)(4) (compensation required to be reported on Form W-2 plus elective deferrals) shall be used, and compensation paid to a nonresident alien that is not effectively connected with the conduct of a trade or business within the United States shall be excluded.

**DELUXE
CORPORATION**

**RESTRICTED STOCK UNIT
AWARD AGREEMENT
(New Day Grant) (US)**

AWARDED TO	AWARD DATE	TOTAL NUMBER OF RESTRICTED STOCK UNITS

1. **The Award.** Deluxe Corporation, a Minnesota corporation (“Deluxe”), hereby grants to you as of the above Award Date the above number of restricted stock units (“Units”) on the terms and conditions contained in this Restricted Stock Unit Award Agreement (including the Addendum attached hereto, the “Agreement”) and Deluxe’s 2017 Long Term Incentive Plan (the “LTIP”), a copy of each of which has been provided to you. Deluxe hereby confirms the grant to you, as of the Award Date and subject to the terms and conditions in this Agreement and the Plan, of the number of Restricted Stock Units specified above (the “Units”). Each Unit represents the right to receive one share of Deluxe’s common stock par value \$1.00 (“Common Stock”), when the restrictions applicable to each Unit expire or terminate as provided below. Prior to their settlement or forfeiture in accordance with the terms of this Agreement, the Units granted to you will be credited to an account in your name maintained by Deluxe. This account shall be unfunded and maintained for book-keeping purposes only, with the Units simply representing an unfunded and unsecured contingent obligation of Deluxe. Any capitalized term used but not defined in this Agreement shall have the meaning given to the term in the LTIP as it currently exists or may hereafter be amended.

2. **Restricted Period and Vesting.** The Units are subject to the restrictions contained in this Agreement and the LTIP for the Restricted Period (as defined below). As used herein, “Restricted Period,” shall mean, with respect to each of the [] equal segments of one third of the Units each, a period commencing on the Award Date and, subject to Section 4, ending with respect to each segment on its respective vesting date. Subject to Sections 4 and 5, with respect to the Units, the restrictions on a segment will lapse and the applicable segment will vest and become non-forfeitable on each of the [] and [] anniversary of the Award Date, so long as your service to Deluxe has not previously ended.

3. **Restrictions.** The Units shall be subject to the following restrictions during the Restricted Period:
 - (a) The Units shall be subject to forfeiture to Deluxe until they vest as provided in this Agreement and the LTIP.
 - (b) The Units may not be sold, assigned, transferred or pledged during the Restricted Period. You may not transfer the right to receive the Units, other than by will or the laws of descent and distribution, and any such attempted transfer shall be void.
 - (c) Shares of Common Stock to be issued in settlement of vested Units will not be issued until the applicable time specified in Section 6 or 8.
 - (d) If cash or non-cash dividends or distributions are declared and paid by Deluxe with respect to its Common Stock, then at the same time that such dividends or distributions are paid to the shareholders you will have dividend equivalents credited to your account with respect to your Units. All such dividend equivalents shall be held by Deluxe without interest accruing thereon until the end of the Restricted Period, at which time Deluxe will pay you all such dividends and other distributions, less applicable income tax and social security tax withholding. Any dividend equivalent payments paid with respect to any Units shall be paid when, and only to the extent that, the underlying Units actually vest and are settled in shares of Common Stock. If the Units are forfeited, then all rights to such dividend and distribution payments shall also be forfeited.

4. **Acceleration of Vesting.**
 - (a) In the event your employment with Deluxe is terminated by reason of death, Disability, involuntary termination without Cause or Approved Retirement any time during the Restricted Period, all of the yet unvested Units will vest and the Units shall become non-forfeitable as of the date of such termination.
 - (b) Notwithstanding any provision contained in this Agreement that would result in Units vesting in full or in part at a later date, if, in connection with any Change of Control, the acquiring Person, surviving or acquiring corporation or entity, or an Affiliate of such corporation or entity, elects to assume the obligations of Deluxe under this Agreement and to replace

the Shares issuable upon settlement of the Units with other equity securities that are listed on a national securities exchange (including by use of American Depository Receipts or any similar method) and are freely transferable under all applicable federal and state securities laws and regulations ("Replacement Equity Securities"), the Units then subject to restriction shall continue to vest as set forth in Section 2, provided, however, the Units shall vest in full and become non-forfeitable if, within twelve months of the date of the Change of Control:

- (i) Your employment with the Company is terminated by the Company without Cause,
- (ii) Your employment with the Company is terminated by you for Good Reason, or
- (iii) Vesting would otherwise occur on any earlier date as provided under this Agreement.

In the event of any such Change of Control, the number of Replacement Equity Securities issuable under this Agreement shall be determined by the Committee in accordance with Section 4(c) of the Plan. In the event of any such Change of Control, all references herein to the Shares shall thereafter be deemed to refer to the Replacement Equity Securities, references to Deluxe or the Company shall thereafter be deemed to refer to the issuer of such Replacement Equity Securities, and all other terms of this Agreement shall continue in effect except as and to the extent modified by this subparagraph.

(c) If the Change of Control does not meet the continuation or replacement criteria specified in Section 4(b) above, all Units then subject to restriction shall vest in full immediately and become non-forfeitable upon the Change of Control.

(d) The provisions of this Section 4 shall be subject to Sections 5(b) and 8.

5. Forfeiture.

(a) Subject to the provisions of Section 4, in the event your employment is terminated during the Restricted Period, your rights to all of the unvested Units shall be immediately and irrevocably forfeited.

(b) Notwithstanding any other provisions of this Agreement, in the event you engage in a Forfeiture Activity (as defined below) during the Restricted Period, your rights to all of the Units that have not yet been settled, whether or not vested, shall be immediately and irrevocably forfeited.

(c) If, at any time within 12 months after the date any portion of this award has vested and settled as provided in Sections 6 or 8, you engage in any Forfeiture Activity (as defined below), then the value of the Shares (and the amount of any associated dividend equivalents) received by you pursuant to such vesting and settlement must be paid to Deluxe within 30 days of demand by Deluxe. For purposes hereof, the value of the Shares received by you in settlement of the vested Units shall be determined by utilizing the closing price on the New York Stock Exchange of a share of Deluxe's Common Stock on the vesting date (without regard to any subsequent increase or decrease in the fair market value of such Shares).

(d) As used herein, you shall be deemed to have engaged in a Forfeiture Activity if you (i) directly or indirectly, engage in any business activity on your own behalf or as a partner, shareholder, director, trustee, principal, agent, employee, consultant or otherwise of any person or entity which is in any respect in competition with or competitive with Deluxe or you solicit, entice or induce any employee or representative of Deluxe to engage in any such activity, (ii) directly or indirectly solicit, entice or induce (or assist any other person or entity in soliciting, enticing or inducing) any customer or potential customer (or agent, employee or consultant of any customer or potential customer) with whom you had contact in the course of your employment with Deluxe to deal with a competitor of Deluxe, (iii) fail to hold in a fiduciary capacity for the benefit of Deluxe all confidential information, knowledge and data, including customer lists and information, business plans and business strategy ("Confidential Data") relating in any way to the business of Deluxe for so long as such Confidential Data remains confidential, or (iv) are terminated by Deluxe for Cause.

(e) If any court of competent jurisdiction shall determine that the foregoing forfeiture provisions are invalid in any respect, the court so holding may limit such provisions in any manner which the court determines such that the provision shall be enforceable against you.

(f) By accepting this Agreement, you consent to a deduction from any amounts Deluxe owes you from time to time (including amounts owed to you as wages or other compensation, fringe benefits, or vacation pay, as well as any other amounts owed to you by Deluxe), to the extent of the amount you owe Deluxe under the foregoing provisions. Whether or not Deluxe elects to make any set-off in whole or in part, if Deluxe does not recover by means of set-off the full amount you owe, calculated as set forth above, you agree to pay immediately the unpaid balance to Deluxe.

(g) You will be released from the forfeiture provisions of Section 5(d)(i) in the event your employment with Deluxe has been involuntarily terminated without Cause. Otherwise, you may be released from the foregoing forfeiture provisions only if the Committee (or is duly appointed agent) determines in its sole discretion that such action is in the best interests of Deluxe.

(h) Nothing contained in this Section 5 shall be construed to limit the provisions of Section 6(h) of the Plan (dealing with recoupment of awards made to certain officers of Deluxe), which are incorporated into this Agreement by reference.

6. Settlement of Units and Delivery of Shares of Common Stock.

(a) Subject to Section 5 and except as otherwise provided in Sections 6(b), 8 and 9, after any Units vest pursuant to Section 2 or Section 4, as applicable, Deluxe shall, as soon as practicable (but no later than 74 days after the applicable vesting date) cause to be issued and delivered to you (or to your personal representative or your designated beneficiary or estate in the event of your death, as applicable) one share of Common Stock in payment and settlement of each vested Unit along with any dividends or distributions referenced in Section 3(d). Delivery of shares of Common Stock shall be effected by the issuance of a stock certificate to you, by an appropriate entry in the stock register maintained by Deluxe's transfer agent with a notice of issuance provided to you, or by the electronic delivery of the shares of Common Stock to a brokerage account for your benefit, and shall be subject to the tax withholding provisions of Section 9 and compliance with all applicable legal requirements as provided in the LTIP, and shall be in complete satisfaction and settlement of such vested Units. If the Units that vest include a fractional Unit, Deluxe shall round the number of vested Units to the nearest whole Unit prior to issuance of shares of Common Stock as provided herein.

(b) Notwithstanding the foregoing, in the event your employment with Deluxe is terminated by reason of death, Disability or involuntary termination without Cause any time during the Restricted Period, and if the aggregate value of all of your vested Units under all awards then outstanding is less than one thousand dollars (\$1,000), Deluxe may, in its sole discretion, deliver cash in lieu of shares of Common Stock. For purposes hereof, the cash payable in settlement of the vested Units (prior to applicable withholding under Section 9) shall be determined by utilizing the closing price on the New York Stock Exchange of a share of Deluxe's Common Stock on the settlement date under Section 6(a) or Section 8, as applicable.

7. **Rights.** The Units subject to this award do not entitle you to any rights of a holder of Common Stock. You will not have any of the rights of a shareholder of Deluxe in connection with the grant of Units subject to this Agreement unless and until shares of Common Stock are issued to you upon settlement of the Units as provided in Section 6 or 8.
8. **409A Compliance.** This Section 8 will apply only if the award evidenced by this Agreement provides for the deferral of compensation within the meaning of Section 409A of the Internal Revenue Code and the IRS regulations thereunder ("Section 409A"). If your employment is terminated prior to the end of the Restricted Period, but the termination does not constitute a "separation from service" as defined in Section 409A, then you will have the right to receive the applicable payment described in Section 4, but such payment will be delayed until the earliest of the date on which you incur a separation from service as defined in Section 409A, the end of the Restricted Period, or if Section 4(d) is applicable, the date on which a change in control event occurs as defined in Section 409A (as described in the Addendum). This could occur if, for example, your employment is terminated but you are retained as a consultant or independent contractor to provide services to Deluxe or an Affiliate at a rate which is at least 50% of the rate at which you were providing services as an employee. It is also possible that you may incur a separation from service as defined in Section 409A even though your employment has not been terminated, for example if you become a part-time employee and are providing services at a rate that is less than 50% of the rate at which you provided services as a full-time employee. If this were to occur you would receive a payment as described in Section 4(b) calculated as if your employment had been terminated by Deluxe without Cause. The provisions of this paragraph shall also apply to the issuance of Shares to which you are entitled upon your Approved Retirement as provided in Section 4(a) if your Approved Retirement does not constitute a separation from service.

If the Change of Control described in Section 4(b) or Section 4(c) does not constitute a "change in control event" as defined in Section 409A, then your Units will become fully vested as provided therein, but settlement of the Units and issuance of the equity shall not occur until the earliest of the date on which you incur a separation from service as defined in Section 409A, the end of the Restricted Period, the date of your termination due to Disability or the date on which a change in control event as defined in Section 409A occurs

Notwithstanding any other provision of this Agreement, if you are a "specified employee" as defined in Section 409A at the time any amount would otherwise become payable to you by reason of a separation from service as defined in Section 409A (including any shares of Common Stock that become issuable upon an Approved Retirement, or upon the occurrence of a Change of Control, but the issuance of which is deferred until a separation from service because the Change of Control did not constitute a change in control event), such payment shall not occur until the first business day that is more than six months following the date of such separation from service (or, if earlier, the date of your death). In general, "specified employees" are the 50 most highly compensated officers and policy making personnel of Deluxe and its Affiliates.

9. **Income Taxes.** You are liable for any federal, state and local income taxes as well as payroll taxes applicable upon the vesting or settlement of the Units subject to this Agreement, and you acknowledge that you should consult with your own tax advisor regarding the applicable tax consequences. Upon the distribution of shares of Common Stock and payment of any associated dividend equivalents, Deluxe will withhold from shares of Common Stock otherwise to be distributed the number of Deluxe shares having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld upon the distribution of the shares of Common Stock, and will withhold from any dividend equivalent payments

an amount equal to the applicable taxes associated therewith. You acknowledge that no shares of Common Stock will be distributed to you or dividend equivalent payments made unless and until you have satisfied any obligation for withholding taxes as provided in this Agreement.

10. Terms and Conditions. This Agreement and the award of Units and the issuance of shares of Common Stock hereunder are subject to and governed by the provisions of the LTIP. In the event there are any inconsistencies between this Agreement and the LTIP, the provisions of the LTIP shall govern, as it may be amended or interpreted at Deluxe's discretion, to meet any applicable requirements of Section 409A of the Internal Revenue Code.

By your acceptance of this restricted stock unit award, you agree to all of the terms and conditions contained in this Agreement and in the LTIP documents. You acknowledge that you have received and reviewed these documents and that they set forth the entire agreement between you and Deluxe regarding the Units.

DELUXE CORPORATION

By: _____

ADDENDUM TO RESTRICTED STOCK UNIT AWARD AGREEMENT

For the purposes hereof, the terms used herein shall have the following meanings:

"Approved Retirement" shall mean any voluntary termination of employment that occurs on or after the date on which the sum of your age and years of employment with Deluxe and/or its Affiliates equals at least seventy-five (75) and that is approved by the Compensation Committee of the Board.

"Beneficial Owner" shall have the meaning defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.

"Cause" shall mean (i) you have breached your obligations of confidentiality to Deluxe or its Affiliates; (ii) you have otherwise failed to perform your duties and do not cure such failure within thirty (30) days after receipt of written notice thereof; (iii) you commit an act, or omit to take action, in bad faith which results in material detriment to Deluxe or its Affiliates; (iv) you have had excessive absences unrelated to illness or vacation ("excessive" shall be defined in accordance with local employment customs); (v) you have committed fraud, misappropriation, embezzlement or other act of dishonesty in connection with Deluxe or its Affiliates or its businesses; (vi) you have been convicted or have pleaded guilty or nolo contendere to a felony or a gross misdemeanor, which gross misdemeanor involves a breach of ethics, moral turpitude, or immoral or other conduct reflecting adversely upon the reputation or interest of Deluxe or its Affiliates; (vii) your unlawful conduct or gross misconduct that is or is reasonably likely to be injurious to the business, finances or reputation of Deluxe; or (viii) you are in default under any agreement between you and Deluxe or any of its Affiliates following any applicable notice and cure period.

A "Change of Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

- (i) any Person becomes the Beneficial Owner, directly or indirectly, of securities of Deluxe representing 30% or more of the combined voting power of Deluxe's then outstanding securities, excluding, at the time of their original acquisition, from the calculation of securities beneficially owned by such Person any securities acquired directly from Deluxe or its Affiliates or in connection with a transaction described in paragraph (iii) below; or
- (ii) the individuals who at the date of your award election hereunder constitute the Board and any new director (other than a director whose initial assumption of office occurs within a year of and is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Deluxe) whose appointment or election by the Board or nomination for election by Deluxe's shareholders was approved or recommended by a vote of a majority of the directors then still in office who either were directors at the date of your award election hereunder or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof; or
- (iii) the shareholders of Deluxe approve a plan of complete liquidation of Deluxe or there is consummated (A) a merger, consolidation, share exchange or similar transaction involving Deluxe, regardless of whether Deluxe is the surviving corporation or (B) the sale or disposition by Deluxe of all or substantially all Deluxe's assets, other than a sale or disposition by Deluxe of all or substantially all of Deluxe's assets to an entity, unless, immediately following such corporate transaction, all or substantially all of the individuals and entities who were the beneficial owners of Deluxe's voting securities immediately prior to such corporate transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the surviving or acquiring entity resulting from such corporate transaction (including beneficial ownership through any Parent of such entity) in substantially the same proportions as their ownership, immediately prior to such corporate transaction, of Deluxe's voting securities.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of Common Stock of Deluxe immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Deluxe immediately following such transaction or series of transactions.

"Disability" shall mean that you are suffering from a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, and that as a result of such impairment either: (i) you have received disability benefits for a period of not less than three months under a long or short-term disability plan or policy (or both), and are eligible for benefits under the long-term disability plan of Deluxe or any Affiliate of which you are employed at the time of such disability; or (ii) in the event that your employer does not have a long-term disability plan in effect at such time, you are unable to engage in any substantial gainful activity.

"Good Reason" shall mean:

- (i) except with your written consent given in your discretion, (a) the assignment to you of any position and/or duties which represent or otherwise entail a material diminution in your position, authority, duties or responsibilities, or (b) any other action by the Company which results in a material diminution in your position (or positions) with the Company, excluding any diminution attributable to Deluxe's bankruptcy or insolvency or to the fact that Deluxe is no longer a public company;
- (ii) any material reduction in your aggregate compensation and incentive opportunities, or any material failure by the Company to comply with any other written agreement between you and the Company;
- (iii) the Company's requiring you to be based at any location more than 50 miles from your then current location; or
- (iv) any request or requirement by the Company that you take any action or omit to take any action that is inconsistent with or in violation of the Company's ethical guidelines and policies as the same existed within the 120-day period prior to the termination date or any professional ethical guidelines or principles that may be applicable to you,

provided, however, that such events shall constitute Good Reason only if (A) within thirty (30) days following the occurrence of an event claimed to constitute Good Reason, you give Deluxe written notice of such event, (B) Deluxe fails to cure such event within thirty (30) days after receipt of such written notice, and (C) the effective date of your termination of employment is within 180 days following expiration of such cure period.

"Person" shall have the meaning defined in Section 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended, except that such term shall not include (i) Deluxe or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of Deluxe or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of Deluxe in substantially the same proportions as their ownership of Common Stock of Deluxe.

For all purposes of this Award Agreement "separation from service", "specified employee", and "change in control event" shall have the meanings set forth in Treasury Regulations §1.409A-1(h), §1.409A-1(i), and §1.409A-3(i)(5), respectively, without regard to any of the optional provisions set forth in such regulations, except that

- (i) for purposes of Treas. Reg. §1.409A-1(h)(1)(ii), an employee shall be considered to have incurred a separation from service on the date on which it is reasonably anticipated that the level of bona fide services the employee will perform after such date (whether as an employee or as an independent contractor) will permanently decrease to less than 50 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the employer if the employee has been providing services to the employer less than 36 months); and
- (ii) for purposes of identifying specified employees the safe harbor definition of compensation contained in Treas. Reg. §1.415(c)-2(d)(4) (compensation required to be reported on Form W-2 plus elective deferrals) shall be used, and compensation paid to a nonresident alien that is not effectively connected with the conduct of a trade or business within the United States shall be excluded.

DELUXE CORPORATION

NON-QUALIFIED STOCK OPTION AGREEMENT (CEO)

GRANTED TO	GRANT DATE	# OF DELUXE CORP COMMON SHARES	OPTION PRICE PER SHARE
	EXPIRATION DATE		

1. GRANT

Deluxe Corporation, a Minnesota corporation ("Deluxe"), hereby grants to you the right to purchase the above stated number of shares of its common stock, par value \$1.00 per share, at the price stated above (the "Option"), on the terms and conditions set forth in this award agreement (including the Addendum attached hereto, the "Agreement") and Deluxe's 2017 Long Term Incentive Plan (the "Plan"), a copy of which has been provided to you. Any capitalized term used but not defined in this Agreement shall have the meaning given to the term in the Plan as it currently exists or may hereafter be amended.

2. DURATION AND EXERCISABILITY

You may not exercise any portion of this Option prior to one year from the date of grant set forth above (the "Grant Date"), and the Option expires ten years after the Grant Date (the "Expiration Date"). Commencing one year after the Grant Date you may exercise this Option in cumulative installments of 33-1/3 percent on and after the first, second, and third anniversaries of the Grant Date.

- (a) Beginning one year after the Grant Date, this entire Option will vest earlier and become exercisable upon your Approved Retirement (as defined in the Addendum), termination due to Disability (as defined in the Addendum), or death.
- (b) Subject to Sections 4 and 5, in the event (i) your employment is terminated on or prior to the second anniversary of the Grant Date and is (x) by the Company without Cause or (y) by you for Good Reason and (ii) you execute and do not rescind a Release (as defined in the Employment Agreement) and remain at all times in material compliance with the restrictive covenants applicable to you, including but not limited to those continuing obligations set forth in the Employment Agreement, the Option shall continue to vest in accordance with the timing set forth in this Section 2 and may be exercised to the extent vested until the Expiration Date.

Subject to Sections 3, 4 and 5, the vested and exercisable portion of this Option may be exercised in whole or in part at any time during the Option term by delivering a written or electronic notice of exercise to such party as may be designated from time to time, and by providing for payment of the exercise price of the Shares being acquired and any related withholding taxes. The notice of exercise must be in a form approved by Deluxe and state the number of Shares to be purchased, the method of payment of the aggregate exercise price and the directions for the delivery of the Shares to be acquired, and must be signed or otherwise authenticated by the person exercising the Option.

3. RETIREMENT, DISABILITY, DEATH OR TERMINATION

Upon your Approved Retirement from Deluxe (including any successor corporation) or an Affiliate (collectively, the "Company"), you will have three years from the date of your retirement to exercise this Option. If you die while employed, the representative of your estate or your heirs will have one year from the date of your death to exercise this Option. If your employment terminates due to Disability, you will have one year from the date of your termination to exercise this Option. Except as otherwise provided in Section 2(b) or Section 4, if your employment is terminated by the Company without Cause or if you resign or otherwise voluntarily terminate your employment with the Company, you will have three months from the date of your termination to exercise this Option, to the extent the Option had vested as of your termination date. In no case, however, may this Option be exercised after the Expiration Date. If your employment with the Company is terminated for Cause, the entire unexercised portion of this Option will be canceled as of your last date of employment.

4. ACCELERATION OF EXERCISABILITY UPON CHANGE OF CONTROL

(a) Notwithstanding any installment or delayed exercise provision contained in this Agreement that would result in this Option becoming exercisable in full or in part at a later date, if, contemporaneously with any "Change of Control" (as defined in the Addendum), the acquiring Person, surviving or acquiring corporation or entity, or an affiliate of such corporation or entity, elects to continue this Option in effect and to replace the shares of common stock issuable upon exercise of this Option with Equivalent Replacement Securities, this Option shall continue to vest as set forth in Section 2, provided however, that it shall become immediately exercisable in full and, in the case of clauses (i) and (ii) below shall remain exercisable for one year following the termination of your service to the Company, if, within twelve months of the date of the Change of Control:

- (i) Your employment is terminated by the Company or such other employer without Cause,
- (ii) Your employment is terminated by you for "Good Reason" (as defined in the Addendum), or
- (iii) Any earlier date vesting would otherwise occur as provided under this Agreement.

In the event of any such Change of Control, the number of Equivalent Replacement Securities issuable upon exercise of this Option shall be determined by multiplying the exchange ratio used in connection with the Change of Control for determining the number of replacement equity securities issuable for the outstanding shares of Deluxe's common stock, or if there is no such ratio, an exchange ratio established or accepted by the Continuing Directors (as defined in the Addendum), and the exercise price per share of replacement equity security shall be adjusted by such exchange ratio so as to preserve the same economic value in this Option as existed prior to the Change of Control. In the event of any such Change of Control and issuance of Equivalent Replacement Securities, all references herein to the common stock shall thereafter be deemed to refer to the replacement equity securities issuable upon exercise of this Option, references to Deluxe shall thereafter be deemed to refer to the issuer of such replacement equity securities, and all other terms of this Option shall continue in effect except as and to the extent modified by this subparagraph.

(b) If the Change of Control does not result in your acquiring Equivalent Replacement Securities in accordance with subparagraph (a) above, this Option shall become fully vested and exercisable for such a period of time prior to the effective time of the Change of Control as is deemed fair and equitable by the Committee and shall terminate at the effective time of the Change of Control.

5. FORFEITURE OF OPTION AND OPTION GAIN RESULTING FROM CERTAIN ACTIVITIES

(a) If you engage in any Forfeiture Activity (as defined below) then (i) the Option shall immediately terminate effective as of the date any such activity first occurred, and (ii) if the Forfeiture Activity occurred at any time within 12 months after the date that you have exercised any portion of this Option, any gain received by you pursuant to the exercise of the Option must be paid to Deluxe within 30 days of demand by Deluxe. For purposes hereof, the gain on any exercise of the Option shall be determined by multiplying the number of shares purchased pursuant to the Option times the excess of the closing price on the New York Stock Exchange of a share of Deluxe's common stock on the date of exercise (without regard to any subsequent increase or decrease in the fair market value of such shares) over the exercise price.

(b) As used herein, you shall be deemed to have engaged in a Forfeiture Activity if you (i) directly or indirectly, engage in any business activity on your own behalf or as a partner, stockholder, director, trustee, principal, agent, employee, consultant or otherwise of any person or entity which is in any respect in competition with or competitive with the Company or you solicit, entice or induce any employee or representative of the Company to engage in any such activity, (ii) directly or indirectly solicit, entice or induce (or assist any other person or entity in soliciting, enticing or inducing) any customer or potential customer (or agent, employee or consultant of any customer or potential customer) with whom you had contact in the course of your employment with the Company to deal with a competitor of the Company, (iii) fail to hold in a fiduciary capacity for the benefit of the Company all confidential information, knowledge and data, including customer lists and information, business plans and business strategy ("Confidential Data") relating in any way to the business of the Company for so long as such Confidential Data remains confidential, or (iv) are terminated by the Company for Cause.

(c) If any court of competent jurisdiction shall determine that the foregoing forfeiture provisions are invalid in any respect, the court so holding may limit such provisions in any manner which the court determines such that the provisions shall be enforceable against you.

(d) By accepting this Agreement, you consent to a deduction from any amounts the Company owes you from time to time (including amounts owed to you as wages or other compensation, fringe benefits, or vacation pay, as well as any other amounts owed to you by Company), to the extent of the amounts you owe Company under the foregoing provisions. Whether or not Company elects to make any set-off in whole or in part, if Company does not recover by means of set-off the full amount you owe, calculated as set forth above, you agree to pay immediately the unpaid balance to Company.

(e) You will be released from the forfeiture provisions of subparagraph (b)(i) in the event your employment with the Company has been involuntarily terminated without Cause. Otherwise, you may be released from the foregoing forfeiture provisions only if the Compensation Committee of the Board (or its duly appointed agent) determines in its sole discretion that such action is in the best interests of Company.

(f) Nothing contained in this Section 5 shall be construed to limit the provisions of Section 6(h) of the Plan (dealing with recoupment of awards made to certain officers of the Company), which are incorporated into this Agreement by reference.

6. DELIVERY OF SHARES

As soon as practicable after the Company receives the notice of exercise and payment of the exercise price as provided above, and has determined that all other conditions to exercise, including satisfaction of withholding tax obligations and compliance with applicable laws as provided in the Plan, have been satisfied, it shall deliver to the person exercising the Option, in the name of such person, the Shares being purchased, as evidenced by issuance of a stock certificate or certificates, electronic delivery of such Shares to a brokerage account for such person's benefit, or book-entry registration of such Shares with the Company's transfer agent. The Company shall pay any original issue or transfer taxes with respect to the issue or transfer of the Shares and all fees and expenses incurred by it in connection therewith. All Shares so issued shall be fully paid and nonassessable.

7. INCOME TAXES

You are liable for any federal and state income or other taxes applicable upon exercise of this Option under this Agreement, and you acknowledge that you should consult with your own tax advisor regarding the applicable tax consequences. Upon the issuance of Shares to you upon exercise of this Option, you shall promptly pay to Deluxe in cash, or in previously acquired Shares having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld or collected upon exercise of this Option. In the alternative, you may direct Deluxe to withhold from Shares otherwise to be distributed the number of Shares having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld under the distribution of the Shares. You acknowledge that no Shares will be distributed to you unless and until you have satisfied any obligation for withholding taxes as provided in this Agreement.

8. TERMS AND CONDITIONS

This Option Agreement does not guarantee your continued employment or, subject to the provisions of any other written agreement between you and Deluxe or its Affiliates, alter the right of Deluxe or its Affiliates to terminate your employment at any time. You have no rights in the

Shares subject to this Option until such shares are received upon exercise of this Option. This Option is issued pursuant to the Plan and is subject to its terms. In the event of any conflict between the provisions of the Plan and this Option Agreement (which includes the Addendum to this Agreement), the provisions of the Plan shall prevail.

By your acceptance of this option award, you agree to all of the terms and conditions contained in this Agreement and in the Plan document. You acknowledge that you have received and reviewed these documents and that they set forth the entire agreement between you and Deluxe regarding your right to purchase Shares pursuant to this Option.

DELUXE CORPORATION

By: _____

ADDENDUM TO NON-QUALIFIED STOCK OPTION AGREEMENT

For the purposes hereof the terms used herein shall have the following meanings:

"Approved Retirement" shall mean any voluntary termination of employment that occurs on or after the date on which the sum of your age and years of employment with Deluxe and/or its Affiliates equals at least seventy-five (75) and that is approved by the Compensation Committee of the Board.

"Beneficial Owner" shall have the meaning defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.

"Board" means the Board of Directors of the Company.

"Cause" shall mean that one of the following events or conditions has occurred during the Employment Term (as defined in the Employment Agreement):

- (i) willful act or acts of dishonesty undertaken by you that result in your substantial gain or personal enrichment at the expense of the Company;
- (ii) unlawful conduct or gross misconduct that is willful and deliberate on your part and is or is reasonably likely to be injurious to the business, finances or reputation of the Company;
- (iii) your conviction of, or your plea of guilty or no-contest to, a gross misdemeanor involving moral turpitude or a felony;
- (iv) your material breach of any terms, conditions or representations of the Employment Agreement or of any material written policies of the Company, which failure or breach, if curable, has not been cured by you to the reasonable satisfaction of the Board within thirty (30) days after written notice thereof to you from the Company.

For purposes of this definition of "Cause", no act or failure to act shall be treated as "willful" unless done, or omitted to be done, by you not in good faith and without the reasonable belief that your action or omission was in the best interest of the Company.

A "Change of Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

- (i) any Person becomes the Beneficial Owner, directly or indirectly, of securities of Deluxe representing 30% or more of the combined voting power of Deluxe's then outstanding securities, excluding, at the time of their original acquisition, from the calculation of securities beneficially owned by such Person any securities acquired directly from Deluxe or its Affiliates or in connection with a transaction described in paragraph (iii) below; or
- (ii) the individuals who at the date of your award election hereunder constitute the Board and any new director (other than a director whose initial assumption of office occurs within a year of and is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Deluxe) whose appointment or election by the Board or nomination for election by Deluxe's shareholders was approved or recommended by a vote of a majority of the directors then still in office who either were directors at the date of your award election hereunder or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof; or
- (iii) the shareholders of Deluxe approve a plan of complete liquidation of Deluxe or there is consummated (A) a merger, consolidation, share exchange or similar transaction involving Deluxe, regardless of whether Deluxe is the surviving corporation or (B) the sale or disposition by Deluxe of all or substantially all Deluxe's assets, other than a sale or disposition by Deluxe of all or substantially all of Deluxe's assets to an entity, unless, immediately following such corporate transaction, all or substantially all of the individuals and entities who were the beneficial owners of Deluxe's voting securities immediately prior to such corporate transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the surviving or acquiring entity resulting from such corporate transaction (including beneficial ownership through any parent of such entity) in substantially the same proportions as their ownership, immediately prior to such corporate transaction, of Deluxe's voting securities.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of Common Stock of Deluxe immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Deluxe immediately following such transaction or series of transactions.

"Disability" shall have the meaning set forth in the Company's group long-term disability plan applicable to you for purposes of eligibility for long-term disability benefits; *provided*, if no such plan or definition exists, then "Disability" shall mean your inability to perform on a full-time basis the duties and responsibilities of your position with the Company by reason of your illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of 120 days or more during any 180-day period. A period of inability shall be "uninterrupted" unless and until you return to full-time work for a continuous period of at least thirty (30) days.

"Employment Agreement" means that certain employment agreement by and between Deluxe and you, Mr. Barry C. McCarthy, dated October 14, 2018.

"Equivalent Replacement Securities" shall mean other equity securities that are registered under the Securities Act of 1933 and are freely transferable under all applicable federal and state securities laws and regulations, the quantity of which shall be determined by multiplying the exchange ratio used in connection with a Change of Control for determining the number of replacement equity securities issuable for the outstanding shares of Deluxe's common stock, or if there is no such ratio, an exchange ratio established or accepted by the Continuing Directors, and the exercise price per share of replacement equity security shall be adjusted by such exchange ratio so as to preserve the same economic value as existed prior to the Change of Control.

"Good Reason" shall mean the occurrence of any of the following without your consent and not caused by you:

- (i) the assignment to you of any position and/or duties, or any other action by the Company, that results in a material diminution in your position, authority, duties or responsibilities, excluding any diminution attributable solely to the fact that the Company is no longer a public company;
- (ii) any material reduction in your Base Salary (as defined in the Employment Agreement) or AIP target opportunity (as defined in the Employment Agreement) (other than a reduction of not more than 10% of your then-current Base Salary made as part of an across-the-board reduction);
- (iii) any material breach by the Company of the Employment Agreement, including but not limited to a requirement that you report to anyone other than the Board or the failure of any successor to all or substantially all of the business or assets of the Company to assume the Employment Agreement in writing (other than in the case of merger by which transfer of the Employment Agreement occurs by operation of law), or any other written agreement between you and the Company;
- (iv) a requirement that you relocate your primary work location by more than 50 miles; or
- (v) any request or requirement by the Company that you take any action or omit to take any action that is inconsistent with or in violation of the Company's ethical guidelines and policies as the same existed within the 120-day period prior to the termination date,

provided, however, that such events shall constitute Good Reason only if (A) within thirty (30) days following the occurrence of an event claimed to constitute Good Reason, you give the Company written notice of such event, (B) the Company fails to cure such event within thirty (30) days after receipt of such written notice, and (C) the effective date of your termination of employment is within 180 days following expiration of such cure period.

"Person" shall have the meaning defined in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended, except that such term shall not include (i) Deluxe or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of Deluxe or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of Deluxe in substantially the same proportions as their ownership of stock of Deluxe.

**DELUXE
CORPORATION**

**NON-QUALIFIED STOCK OPTION AGREEMENT
(US)**

GRANTED TO	GRANT DATE	# OF DELUXE CORP COMMON SHARES	OPTION PRICE PER SHARE
	EXPIRATION DATE		

1. GRANT

Deluxe Corporation, a Minnesota corporation ("Deluxe"), hereby grants to you the right to purchase the above stated number of shares of its common stock, par value \$1.00 per share, at the price stated above (the "Option"), on the terms and conditions set forth in this award agreement (including the Addendum attached hereto, the "Agreement") and Deluxe's 2017 Long Term Incentive Plan (the "Plan"), a copy of which has been provided to you. Any capitalized term used but not defined in this Agreement shall have the meaning given to the term in the Plan as it currently exists or may hereafter be amended.

2. DURATION AND EXERCISABILITY

You may not exercise any portion of this Option prior to one year from the date of grant set forth above (the "Grant Date"), and the Option expires ten years after the Grant Date (the "Expiration Date"). Commencing one year after the Grant Date you may exercise this Option in cumulative installments of 25 percent on and after the first, second, third and fourth anniversaries of the Grant Date. Beginning one year after the Grant Date, this entire Option will vest earlier and become exercisable upon your Approved Retirement (as defined in the Addendum), Disability (as defined in the Addendum), or death. Beginning one year after the Grant Date, a pro rata portion of the entire Option shall vest and become exercisable upon your termination without Cause (as defined in the Addendum).

Subject to Sections 3, 4 and 5, the vested and exercisable portion of this Option may be exercised in whole or in part at any time during the Option term by delivering a written or electronic notice of exercise to such party as may be designated from time to time, and by providing for payment of the exercise price of the Shares being acquired and any related withholding taxes. The notice of exercise must be in a form approved by Deluxe and state the number of Shares to be purchased, the method of payment of the aggregate exercise price and the directions for the delivery of the Shares to be acquired, and must be signed or otherwise authenticated by the person exercising the Option.

3. RETIREMENT, DISABILITY, DEATH OR TERMINATION

Upon your Approved Retirement from Deluxe (including any successor corporation) or an Affiliate (collectively, the "Company"), you will have three years from the date of your retirement to exercise this Option. If you die while employed, the representative of your estate or your heirs will have one year from the date of your death to exercise this Option. If your employment terminates due to Disability, you will have one year from the date of your termination to exercise this Option. Except as otherwise provided in Section 4, if your employment is terminated by the Company without Cause or if you resign or otherwise voluntarily terminate your employment with the Company, you will have three months from the date of your termination to exercise this Option, to the extent the Option had vested as of your termination date. In no case, however, may this Option be exercised after the Expiration Date. If your employment with the Company is terminated for Cause, the entire unexercised portion of this Option will be canceled as of your last date of employment.

4. ACCELERATION OF EXERCISABILITY UPON CHANGE OF CONTROL

(a) Notwithstanding any installment or delayed exercise provision contained in this Agreement that would result in this Option becoming exercisable in full or in part at a later date, if, contemporaneously with any "Change of Control" (as defined in the Addendum), the acquiring Person, surviving or acquiring corporation or entity, or an affiliate of such corporation or entity, elects to continue this Option in effect and to replace the shares of common stock issuable upon exercise of this Option with Equivalent Replacement Securities, this Option shall continue to vest as set forth in Section 2, provided however, that it shall become immediately exercisable in full and, in the case of clauses (i) and (ii) below shall remain exercisable for one year following the termination of your service to the Company, if, within twelve months of the date of the Change of Control:

- (i) Your employment is terminated by the Company or such other employer without Cause,
- (ii) Your employment is terminated by you for "Good Reason" (as defined in the Addendum), or
- (iii) Any earlier date vesting would otherwise occur as provided under this Agreement.

In the event of any such Change of Control, the number of Equivalent Replacement Securities issuable upon exercise of this Option shall be determined by multiplying the exchange ratio used in connection with the Change of Control for determining the number of replacement equity securities issuable for the outstanding shares of Deluxe's common stock, or if there is no such ratio, an exchange ratio established or accepted by the Continuing Directors (as defined in the Addendum), and the exercise price per share of replacement equity security shall be adjusted by such exchange ratio so as to preserve the same economic value in this Option as existed prior to the Change of Control. In the event of any

such Change of Control and issuance of Equivalent Replacement Securities, all references herein to the common stock shall thereafter be deemed to refer to the replacement equity securities issuable upon exercise of this Option, references to Deluxe shall thereafter be deemed to refer to the issuer of such replacement equity securities, and all other terms of this Option shall continue in effect except as and to the extent modified by this subparagraph.

(b) If the Change of Control does not result in your acquiring Equivalent Replacement Securities in accordance with subparagraph (a) above, this Option shall become fully vested and exercisable for such a period of time prior to the effective time of the Change of Control as is deemed fair and equitable by the Committee and shall terminate at the effective time of the Change of Control.

5. FORFEITURE OF OPTION AND OPTION GAIN RESULTING FROM CERTAIN ACTIVITIES

(a) If you engage in any Forfeiture Activity (as defined below) then (i) the Option shall immediately terminate effective as of the date any such activity first occurred, and (ii) if the Forfeiture Activity occurred at any time within 12 months after the date that you have exercised any portion of this Option, any gain received by you pursuant to the exercise of the Option must be paid to Deluxe within 30 days of demand by Deluxe. For purposes hereof, the gain on any exercise of the Option shall be determined by multiplying the number of shares purchased pursuant to the Option times the excess of the closing price on the New York Stock Exchange of a share of Deluxe's common stock on the date of exercise (without regard to any subsequent increase or decrease in the fair market value of such shares) over the exercise price.

(b) As used herein, you shall be deemed to have engaged in a Forfeiture Activity if you (i) directly or indirectly, engage in any business activity on your own behalf or as a partner, stockholder, director, trustee, principal, agent, employee, consultant or otherwise of any person or entity which is in any respect in competition with or competitive with the Company or you solicit, entice or induce any employee or representative of the Company to engage in any such activity, (ii) directly or indirectly solicit, entice or induce (or assist any other person or entity in soliciting, enticing or inducing) any customer or potential customer (or agent, employee or consultant of any customer or potential customer) with whom you had contact in the course of your employment with the Company to deal with a competitor of the Company, (iii) fail to hold in a fiduciary capacity for the benefit of the Company all confidential information, knowledge and data, including customer lists and information, business plans and business strategy ("Confidential Data") relating in any way to the business of the Company for so long as such Confidential Data remains confidential, or (iv) are terminated by the Company for Cause.

(c) If any court of competent jurisdiction shall determine that the foregoing forfeiture provisions are invalid in any respect, the court so holding may limit such provisions in any manner which the court determines such that the provisions shall be enforceable against you.

(d) By accepting this Agreement, you consent to a deduction from any amounts the Company owes you from time to time (including amounts owed to you as wages or other compensation, fringe benefits, or vacation pay, as well as any other amounts owed to you by Company), to the extent of the amounts you owe Company under the foregoing provisions. Whether or not Company elects to make any set-off in whole or in part, if Company does not recover by means of set-off the full amount you owe, calculated as set forth above, you agree to pay immediately the unpaid balance to Company.

(e) You will be released from the forfeiture provisions of subparagraph (b)(i) in the event your employment with the Company has been involuntarily terminated without Cause. Otherwise, you may be released from the foregoing forfeiture provisions only if the Compensation Committee of the Board (or its duly appointed agent) determines in its sole discretion that such action is in the best interests of Company.

(f) Nothing contained in this Section 5 shall be construed to limit the provisions of Section 6(h) of the Plan (dealing with recoupment of awards made to certain officers of the Company), which are incorporated into this Agreement by reference.

6. DELIVERY OF SHARES

As soon as practicable after the Company receives the notice of exercise and payment of the exercise price as provided above, and has determined that all other conditions to exercise, including satisfaction of withholding tax obligations and compliance with applicable laws as provided in the Plan, have been satisfied, it shall deliver to the person exercising the Option, in the name of such person, the Shares being purchased, as evidenced by issuance of a stock certificate or certificates, electronic delivery of such Shares to a brokerage account for such person's benefit, or book-entry registration of such Shares with the Company's transfer agent. The Company shall pay any original issue or transfer taxes with respect to the issue or transfer of the Shares and all fees and expenses incurred by it in connection therewith. All Shares so issued shall be fully paid and nonassessable.

7. INCOME TAXES

You are liable for any federal and state income or other taxes applicable upon exercise of this Option under this Agreement, and you acknowledge that you should consult with your own tax advisor regarding the applicable tax consequences. Upon the issuance of Shares to you upon exercise of this Option, you shall promptly pay to Deluxe in cash, or in previously acquired Shares having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld or collected upon exercise of this Option. In the alternative, you may direct Deluxe to withhold from Shares otherwise to be distributed the number of Shares having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld under the distribution of the Shares. You acknowledge that no Shares will be distributed to you unless and until you have satisfied any obligation for withholding taxes as provided in this Agreement.

8. TERMS AND CONDITIONS

This Option Agreement does not guarantee your continued employment or, subject to the provisions of any other written agreement between you and Deluxe or its Affiliates, alter the right of Deluxe or its Affiliates to terminate your employment at any time. You have no rights in the Shares subject to this Option until such shares are received upon exercise of this Option. This Option is issued pursuant to the Plan and is subject to its terms. In the event of any conflict between the provisions of the Plan and this Option Agreement (which includes the Addendum to this Agreement), the provisions of the Plan shall prevail.

By your acceptance of this option award, you agree to all of the terms and conditions contained in this Agreement and in the Plan document. You acknowledge that you have received and reviewed these documents and that they set forth the entire agreement between you and Deluxe regarding your right to purchase Shares pursuant to this Option.

DELUXE CORPORATION

By: _____

ADDENDUM TO NON-QUALIFIED STOCK OPTION AGREEMENT

For the purposes hereof the terms used herein shall have the following meanings:

"Approved Retirement" shall mean any voluntary termination of employment that occurs on or after the date on which the sum of your age and years of employment with Deluxe and/or its Affiliates equals at least seventy-five (75) and that is approved by the Compensation Committee of the Board.

"Beneficial Owner" shall have the meaning defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.

"Board" means the Board of Directors of the Company.

"Cause" shall mean (i) you have breached your obligations of confidentiality to Deluxe or its Affiliates; (ii) you have otherwise failed to perform your duties and do not cure such failure within thirty (30) days after receipt of written notice thereof; (iii) you commit an act, or omit to take action, in bad faith which results in material detriment to Deluxe or its Affiliates; (iv) you have had excessive absences unrelated to illness or vacation ("excessive" shall be defined in accordance with local employment customs); (v) you have committed fraud, misappropriation, embezzlement or other act of dishonesty in connection with Deluxe or its Affiliates or its businesses; (vi) you have been convicted or have pleaded guilty or nolo contendere to a felony or a gross misdemeanor, which gross misdemeanor involves a breach of ethics, moral turpitude, or immoral or other conduct reflecting adversely upon the reputation or interest of Deluxe or its Affiliates; (vii) your unlawful conduct or gross misconduct that is or is reasonably likely to be injurious to the business, finances or reputation of Deluxe; or (viii) you are in default under any agreement between you and Deluxe or any of its Affiliates following any applicable notice and cure period.

A "Change of Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

- (i) any Person becomes the Beneficial Owner, directly or indirectly, of securities of Deluxe representing 30% or more of the combined voting power of Deluxe's then outstanding securities, excluding, at the time of their original acquisition, from the calculation of securities beneficially owned by such Person any securities acquired directly from Deluxe or its Affiliates or in connection with a transaction described in paragraph (iii) below; or
- (ii) the individuals who at the date of your award election hereunder constitute the Board and any new director (other than a director whose initial assumption of office occurs within a year of and is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Deluxe) whose appointment or election by the Board or nomination for election by Deluxe's shareholders was approved or recommended by a vote of a majority of the directors then still in office who either were directors at the date of your award election hereunder or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof; or
- (iii) the shareholders of Deluxe approve a plan of complete liquidation of Deluxe or there is consummated (A) a merger, consolidation, share exchange or similar transaction involving Deluxe, regardless of whether Deluxe is the surviving corporation or (B) the sale or disposition by Deluxe of all or substantially all Deluxe's assets, other than a sale or disposition by Deluxe of all or substantially all of Deluxe's assets to an entity, unless, immediately following such corporate transaction, all or substantially all of the individuals and entities who were the beneficial owners of Deluxe's voting securities immediately prior to such corporate transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the surviving or acquiring entity resulting from such corporate transaction (including beneficial ownership through any parent of such entity) in substantially the same proportions as their ownership, immediately prior to such corporate transaction, of Deluxe's voting securities.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of Common Stock of Deluxe immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Deluxe immediately following such transaction or series of transactions.

"Disability" shall mean that you are suffering from a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, and that as a result of such impairment either: (i) you have received disability benefits for a period of not less than three months under a long or short-term disability plan or policy (or both), and are eligible for benefits under the long-term disability plan of Deluxe or any Affiliate of which you are employed at the time of such disability; or (ii) in the event that your employer does not have a long-term disability plan in effect at such time, you are unable to engage in any substantial gainful activity.

"Equivalent Replacement Securities" shall mean other equity securities that are registered under the Securities Act of 1933 and are freely transferable under all applicable federal and state securities laws and regulations, the quantity of which shall be determined by multiplying the exchange ratio used in connection with a Change of Control for determining the number of replacement equity securities issuable for the outstanding shares of Deluxe's common stock, or if there is no such ratio, an exchange ratio established or accepted by the Continuing Directors, and the exercise price per share of replacement equity security shall be adjusted by such exchange ratio so as to preserve the same economic value as existed prior to the Change of Control.

"Good Reason" shall mean:

- (i) except with your written consent given in your discretion, (a) the assignment to you of any position and/or duties which represent or otherwise entail a material diminution in your position, authority, duties or responsibilities, or (b) any other action by the Company which results in a material diminution in your position (or positions) with the Company, excluding any diminution attributable to Deluxe's bankruptcy or insolvency or to the fact that Deluxe is no longer a public company;
- (ii) any material reduction in your aggregate compensation and incentive opportunities, or any material failure by the Company to comply with any other written agreement between you and the Company;
- (iii) the Company's requiring you to be based at any location more than 50 miles from your then current location; or
- (iv) any request or requirement by the Company that you take any action or omit to take any action that is inconsistent with or in violation of the Company's ethical guidelines and policies as the same existed within the 120-day period prior to the termination date or any professional ethical guidelines or principles that may be applicable to you,

provided, however, that such events shall constitute Good Reason only if (A) within thirty (30) days following the occurrence of an event claimed to constitute Good Reason, you give Deluxe written notice of such event, (B) Deluxe fails to cure such event within thirty (30) days after receipt of such written notice, and (C) the effective date of your termination of employment is within 180 days following expiration of such cure period.

"Person" shall have the meaning defined in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended, except that such term shall not include (i) Deluxe or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of Deluxe or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of Deluxe in substantially the same proportions as their ownership of stock of Deluxe.

**DELUXE
CORPORATION**

**PERFORMANCE SHARE
UNIT AWARD AGREEMENT
(CEO)**

AWARDED TO	AWARD DATE	TARGET NUMBER OF SHARES

1. **The Award.** Deluxe Corporation, a Minnesota corporation ("Deluxe"), hereby grants to you as of the above Award Date the right to receive shares of Deluxe common stock, par value \$1.00 per share (the "Shares"), in an amount initially equal to the Target Number of Shares specified above (the "Target Award") on the terms and conditions contained in this Performance Share Award Unit Agreement (including the Addendum and Schedules attached hereto, this "Agreement") and Deluxe's 2017 Long Term Incentive Plan (the "Plan"), a copy of which has been provided to you. Any capitalized term used but not defined in this Agreement shall have the meaning given to the term in the Plan as it currently exists or may hereafter be amended. The number of Shares that may actually be earned and become eligible to vest pursuant to this Agreement can be between 0% and 200% of the Target Number of Shares, but may not exceed 200% of the Target Number of Shares.
2. **Performance Period.** The performance period for purposes of determining whether and to what extent Shares will be issued under a Performance Award (as defined below) shall be the three-year period commencing on January 1 of the year in which this Award was granted (the "Performance Period").
3. **Performance Goals.** The performance goals for purposes of determining whether and to what extent Shares will be issued under a Performance Award are set forth in the attached Performance Goals Schedule.
4. **Vesting.** Vesting of the Target Award shall occur if and to the extent that performance goals are achieved, as set forth in the attached Performance Goals Schedule and as determined and certified by the Committee in accordance with the Plan after the end of the Performance Period. The number of Shares that vest, if any, may be adjusted by the Committee to the extent permitted by this Agreement and the Plan. The final vested award certified by the Committee is referred to as the "Performance Award."
5. **Distribution.** Any Shares to be distributed under this Agreement shall be distributed as soon as administratively practicable after certification of a Performance Award by the Compensation Committee, but no later than two and one-half months following the end of the Performance Period for which such certification occurred. The Committee may, in its sole discretion, elect to pay you the value of all or any portion of the Performance Award in cash, based upon the closing price of a Share on the business day immediately prior to the date of vesting. The Shares distributed to you under this Section, Section 7 or Section 8 are referred to, collectively, as the "Distributed Shares."
6. **Restrictions.** Your rights in any Shares covered by this Agreement shall be subject to the following restrictions during and after the Performance Period:
 - (a) All Distributed Shares shall be subject to forfeiture to Deluxe as provided in this Agreement and the Plan.
 - (b) Until any Shares are distributed to you under Section 5, neither you nor anyone claiming through you shall have any rights as a shareholder under this Agreement, including the right to vote or to receive dividends, stock dividends or other non-cash distributions.
 - (c) You may not transfer, sell, assign, or pledge the right to receive the Shares, other than by will or the laws of descent and distribution, or as otherwise permitted by the Committee pursuant to the Plan, and any such attempted transfer shall be void.
7. **Termination of Employment.** Except as described in this Section or in Section 8, in the event your employment is terminated prior to the payment of the Performance Award, this Agreement and your rights to receive the Performance Award shall be immediately and irrevocably forfeited, unless your termination occurs:
 - (a) on or prior to the second anniversary of the Award Date and is (i) by the Company without Cause or (ii) by you for Good Reason; or
 - (b) on or after the one year anniversary of commencement of the Performance Period and is by reason of (i) termination by the Company without Cause within 12 months of the consummation of a Change of Control, (ii) termination by you for Good Reason within 12 months of the consummation of a Change of Control, (iii) your death, (iv) your Disability, or (v) your Approved Retirement.

In the event your employment is terminated in accordance with Section 7(a) and you have executed and not rescinded a Release (as defined in the Employment Agreement) and remain at all times in material compliance with the restrictive covenants applicable to you, including but not limited to those continuing obligations set forth in the Employment Agreement, your Target Award shall be eligible for continued vesting in accordance with Section 4 and you shall be entitled to receive a distribution of the resulting Performance Award determined by the Committee, in its sole discretion, following completion of the Performance Period. Such distribution will be made at the same time that distributions are made to active employees.

In the event your employment is terminated in accordance with Section 7(b) on or after the one year anniversary of commencement of the Performance Period and prior to the end of the Performance Period for any of the reasons (i) through (v) of Section 7(b), you or your estate shall be entitled to receive a pro-rata distribution (calculated based on the days elapsed in the Performance Period prior to the employment termination date divided by the total days in the Performance Period) of the Performance Award determined by the Committee, in its sole discretion, upon completion of the Performance Period to be paid based on the attached Performance Goals Schedule. Such distribution will be made at the same time that distributions are made to active employees.

In the event your employment is terminated for any of the reasons (i) through (v) of Section 7(b) after completion of the Performance Period but prior to certification and distribution of the Performance Award, you or your estate shall be entitled to receive the Performance Award determined by the Committee upon completion of the Performance Period to be distributed, in its sole discretion, based on the attached Performance Goals Schedule. Such distribution will be made at the same time that distributions are made to active employees.

In the event of a conflict between Section 7(a) and Section 7(b), Section 7(a) shall control. For the avoidance of doubt, this Section 7 shall be subject to the provisions of Section 8.

8. **Change of Control.** If, in connection with any Change of Control, the acquiring Person, surviving or acquiring corporation or entity, or any Affiliate of such corporation or entity, elects to assume or continue the obligations of Deluxe under this Agreement and to replace the Shares issuable under it with Equivalent Replacement Securities, then all references herein to Shares shall thereafter be deemed to refer to the Equivalent Replacement Securities issuable upon attainment of Performance Goals, references to Deluxe shall thereafter be deemed to refer to the issuer of such Equivalent Replacement Securities, and all other terms of this Agreement shall continue in effect except as to the extent modified by this Section 8.

If the Change of Control does not meet the assumption, continuation or replacement criteria specified in this Section 8, then the value of the Target Award shall be calculated based upon the value of a Share as of the closing price on the business day immediately prior to the effective date of the Change of Control and that amount shall become due and payable in cash, immediately upon the Change of Control. Nothing contained herein shall limit the authority of the Committee under Section 4(c) of the Plan to make adjustments to the Shares subject to this Agreement in the case of a transaction described in Section 4(c) of the Plan that does not constitute a Change of Control.

9. **Income Taxes.** You are liable for any federal and state income or other taxes applicable upon the distribution to you of any Shares or other payments under this Agreement, and you acknowledge that you should consult with your own tax advisor regarding the applicable tax consequences. Upon the distribution of Shares, you shall promptly pay to Deluxe in cash, or in previously acquired shares of Deluxe common stock having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld or collected upon the distribution of the Shares. In the alternative, prior to the end of the Performance Period, you may direct Deluxe to withhold from Shares otherwise to be distributed the number of Shares having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld upon the distribution of the Shares. You acknowledge that no Shares will be distributed to you, notwithstanding any Performance Award, unless and until you have satisfied any obligation for withholding taxes as provided in this Agreement.

10. **Forfeiture of Award and Award Gain Resulting from Certain Activities.**

(a) If, at any time during the period commencing on the first day of the Performance Period and ending 12 months after the date that you have received a Performance Award, you engage in any Forfeiture Activity (as defined below) then, in addition to any other rights Deluxe or its Affiliates may have against you, (i) your rights under this Agreement shall immediately terminate effective as of the date any such activity first occurred, and (ii) the value of any Distributed Shares or cash paid to you pursuant to this Agreement must be paid to Deluxe within 30 days of demand by Deluxe. For purposes hereof, any such value shall be determined by multiplying the number of Distributed Shares by the higher of the closing price of a Share on the business day prior to the date of vesting or the closing price on the business day prior to the date of repayment or, to the extent the Performance Award was paid to you in cash, including any payment pursuant to the penultimate paragraph of Section 8, the amount of cash paid to you or on your behalf. The amount repaid shall not be reduced by any tax withholding, whether paid in Shares or cash.

(b) As used herein, you shall be deemed to have engaged in a Forfeiture Activity if, in violation of any Company policy or other term or condition of your employment, you (i) directly or indirectly engage in any business activity on your own behalf or as a partner, stockholder, director, trustee, officer, consultant or otherwise of any person or entity which is directly in competition with or competitive with any current business of the Company or you solicit, entice or induce any employee or representative of the Company to engage in any such activity, (ii) directly or indirectly solicit, entice or induce (or assist any other person or entity in soliciting, enticing or inducing) any customer (or agent, employee or consultant of any customer) with whom you had contact in the course of your employment with the Company to deal with a competitor of the Company, (iii) fail to hold in a fiduciary capacity for the benefit of the Company all confidential information, knowledge and data, including without limitation customer lists and information, business plans and business strategy ("Confidential Data") relating in any way to the business of the Company, or (iv) are terminated by the Company (or any successor) for Cause.

(c) If any court of competent jurisdiction shall determine that the foregoing forfeiture provisions are invalid in any respect, the court so holding may limit such provisions in any manner which the court determines, such that the provisions, as so limited, shall be enforceable against you.

(d) By accepting this Agreement, you consent to a deduction from any amounts the Company owes you from time to time (including amounts owed to you as wages or other compensation, fringe benefits, or vacation pay, as well as any other amounts owed to you by the Company), to the extent of the amounts you owe the Company under the foregoing provisions. Whether or not the Company elects to make any set-off in whole or in part, if the Company does not recover by means of set-off the full amount you owe, calculated as set forth above, you agree to pay immediately the unpaid balance to the Company.

(e) You will be released from the forfeiture provisions of subparagraph (b)(i) in the event your employment with the Company has been involuntarily terminated without Cause or you voluntarily terminate your employment with the Company for Good Reason. Otherwise, you may be released from the foregoing forfeiture provisions only if the Committee (or its duly appointed agent) determines in its sole discretion that such action is in the best interests of Company.

(f) Nothing contained in this Section shall be construed to limit the provisions of Section 6(h) of the Plan (dealing with recoupment of awards made to certain officers of the Company), which are incorporated into this Agreement by this reference.

11. **Terms and Conditions.** This Agreement does not guarantee your continued employment or alter the right of Deluxe or its Affiliates to terminate your employment at any time. This Award is granted pursuant to the Plan and is subject to its terms. In the event of any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern.]

By your acceptance of this performance share award, you agree to all of the terms and conditions contained in this Agreement and in the Plan document. You acknowledge that you have received and reviewed these documents and that they set forth the entire agreement between you and Deluxe regarding your right to the Shares pursuant to this Award Agreement.

DELUXE CORPORATION

By: _____

ADDENDUM TO PERFORMANCE SHARE AWARD AGREEMENT

For the purposes hereof the terms used herein shall have the following meanings:

"Approved Retirement" shall mean any voluntary termination of employment that occurs on or after the date on which the sum of your age and years of employment with Deluxe and/or its Affiliates equals at least seventy-five (75) and that is approved by the Compensation Committee of the Board.

"Board" means the Board of Directors of the Company.

"Cause" shall mean that one of the following events or conditions has occurred during the Employment Term (as defined in the Employment Agreement):

- (i) willful act or acts of dishonesty undertaken by you that result in your substantial gain or personal enrichment at the expense of the Company;
- (ii) unlawful conduct or gross misconduct that is willful and deliberate on your part and is or is reasonably likely to be injurious to the business, finances or reputation of the Company;
- (iii) your conviction of, or your plea of guilty or no-contest to, a gross misdemeanor involving moral turpitude or a felony;
- (iv) your material breach of any terms, conditions or representations of the Employment Agreement or of any material written policies of the Company, which failure or breach, if curable, has not been cured by you to the reasonable satisfaction of the Board within thirty (30) days after written notice thereof to you from the Company.

For purposes of this definition of "Cause", no act or failure to act shall be treated as "willful" unless done, or omitted to be done, by you not in good faith and without the reasonable belief that your action or omission was in the best interest of the Company.

A "Change of Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

- (i) any Person becomes the Beneficial Owner, directly or indirectly, of securities of Deluxe representing 30% or more of the combined voting power of Deluxe's then outstanding securities, excluding, at the time of their original acquisition, from the calculation of securities beneficially owned by such Person any securities acquired directly from Deluxe or its Affiliates or in connection with a transaction described in paragraph (iii) below; or
- (ii) the individuals who at the date of your award election hereunder constitute the Board and any new director (other than a director whose initial assumption of office occurs within a year of and is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Deluxe) whose appointment or election by the Board or nomination for election by Deluxe's shareholders was approved or recommended by a vote of a majority of the directors then still in office who either were directors at the date of your award election hereunder or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof; or
- (iii) the shareholders of Deluxe approve a plan of complete liquidation of Deluxe or there is consummated (A) a merger, consolidation, share exchange or similar transaction involving Deluxe, regardless of whether Deluxe is the surviving corporation or (B) the sale or disposition by Deluxe of all or substantially all Deluxe's assets, other than a sale or disposition by Deluxe of all or substantially all of Deluxe's assets to an entity, unless, immediately following such corporate transaction, all or substantially all of the individuals and entities who were the beneficial owners of Deluxe's voting securities immediately prior to such corporate transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the surviving or acquiring entity resulting from such corporate transaction (including beneficial ownership through any parent of such entity) in substantially the same proportions as their ownership, immediately prior to such corporate transaction, of Deluxe's voting securities.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of Common Stock of Deluxe immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Deluxe immediately following such transaction or series of transactions.

"Company" shall mean Deluxe (including any successor corporation) and its Affiliates.

"Disability" shall have the meaning set forth in the Company's group long-term disability plan applicable to you for purposes of eligibility for long-term disability benefits; *provided*, if no such plan or definition exists, then "Disability" shall mean your inability to perform on a full-time basis the duties and responsibilities of your position with the Company by reason of your illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of 120 days or more during any 180-day period. A period of inability shall be "uninterrupted" unless and until you return to full-time work for a continuous period of at least thirty (30) days.

"Employment Agreement" means that certain employment agreement by and between Deluxe and you, Mr. Barry C. McCarthy, dated October 14, 2018.

"Equivalent Replacement Securities" shall mean other equity securities that are listed on a national securities exchange (including by use of American Depository Receipts or any similar method) and are freely transferable under all applicable federal and state securities laws and regulations, the quantity of which shall be determined by the Committee in accordance with Section 4(c) of the Plan.

"Good Reason" shall mean the occurrence of any of the following without your consent and not caused by you:

- (i) the assignment to you of any position and/or duties, or any other action by the Company, that results in a material diminution in your position, authority, duties or responsibilities, excluding any diminution attributable solely to the fact that the Company is no longer a public company;
- (ii) any material reduction in your Base Salary (as defined in the Employment Agreement) or AIP target opportunity (as defined in the Employment Agreement) (other than a reduction of not more than 10% of your then-current Base Salary made as part of an across-the-board reduction);
- (iii) any material breach by the Company of the Employment Agreement, including but not limited to a requirement that you report to anyone other than the Board or the failure of any successor to all or substantially all of the business or assets of the Company to assume the Employment Agreement in writing (other than in the case of merger by which transfer of the Employment Agreement occurs by operation of law), or any other written agreement between you and the Company;
- (iv) a requirement that you relocate your primary work location by more than 50 miles; or
- (v) any request or requirement by the Company that you take any action or omit to take any action that is inconsistent with or in violation of the Company's ethical guidelines and policies as the same existed within the 120-day period prior to the termination date,

provided, however, that such events shall constitute Good Reason only if (A) within thirty (30) days following the occurrence of an event claimed to constitute Good Reason, you give the Company written notice of such event, (B) the Company fails to cure such event within thirty (30) days after receipt of such written notice, and (C) the effective date of your termination of employment is within 180 days following expiration of such cure period.

"Person" shall have the meaning defined in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended, except that such term shall not include (i) Deluxe or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of Deluxe or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of Deluxe in substantially the same proportions as their ownership of stock of Deluxe.

**DELUXE
CORPORATION**

**PERFORMANCE SHARE
UNIT AWARD AGREEMENT
(CEO)**

[Performance Goals Schedule]

**DELUXE
CORPORATION**

**PERFORMANCE SHARE
UNIT AWARD AGREEMENT
(US)**

AWARDED TO	AWARD DATE	TARGET NUMBER OF SHARES

1. **The Award.** Deluxe Corporation, a Minnesota corporation ("Deluxe"), hereby grants to you as of the above Award Date the right to receive shares of Deluxe common stock, par value \$1.00 per share (the "Shares"), in an amount initially equal to the Target Number of Shares specified above (the "Target Award") on the terms and conditions contained in this Performance Share Unit Award Agreement (including the Addendum and Schedules attached hereto, this "Agreement") and Deluxe's 2017 Long Term Incentive Plan (the "Plan"), a copy of which has been provided to you. Any capitalized term used but not defined in this Agreement shall have the meaning given to the term in the Plan as it currently exists or may hereafter be amended. The number of Shares that may actually be earned and become eligible to vest pursuant to this Agreement can be between 0% and 200% of the Target Number of Shares, but may not exceed 200% of the Target Number of Shares.
2. **Performance Period.** The performance period for purposes of determining whether and to what extent Shares will be issued under a Performance Award (as defined below) shall be the three-year period commencing on January 1 of the year in which this Award was granted (the "Performance Period").
3. **Performance Goals.** The performance goals for purposes of determining whether and to what extent Shares will be issued under a Performance Award are set forth in the attached Performance Goals Schedule.
4. **Vesting.** Vesting of the Target Award shall occur if and to the extent that performance goals are achieved, as set forth in the attached Performance Goals Schedule and as determined and certified by the Committee in accordance with the Plan after the end of the Performance Period. The number of Shares that vest, if any, may be adjusted by the Committee to the extent permitted by this Agreement and the Plan. The final vested award certified by the Committee is referred to as the "Performance Award."
5. **Distribution.** Any Shares to be distributed under this Agreement shall be distributed as soon as administratively practicable after certification of a Performance Award by the Compensation Committee, but no later than two and one-half months following the end of the Performance Period for which such certification occurred. The Committee may, in its sole discretion, elect to pay you the value of all or any portion of the Performance Award in cash, based upon the closing price of a Share on the business day immediately prior to the date of vesting. The Shares distributed to you under this Section, Section 7 or Section 8 are referred to, collectively, as the "Distributed Shares."
6. **Restrictions.** Your rights in any Shares covered by this Agreement shall be subject to the following restrictions during and after the Performance Period:
 - (a) All Distributed Shares shall be subject to forfeiture to Deluxe as provided in this Agreement and the Plan.
 - (b) Until any Shares are distributed to you under Section 5, neither you nor anyone claiming through you shall have any rights as a shareholder under this Agreement, including the right to vote or to receive dividends, stock dividends or other non-cash distributions.
 - (c) You may not transfer, sell, assign, or pledge the right to receive the Shares, other than by will or the laws of descent and distribution, or as otherwise permitted by the Committee pursuant to the Plan, and any such attempted transfer shall be void.
7. **Termination of Employment.** Except as described in this Section or in Section 8, in the event your employment is terminated prior to the payment of the Performance Award, this Agreement and your rights to receive the Performance Award shall be immediately and irrevocably forfeited, unless your termination occurs on or after the one year anniversary of commencement of the Performance Period and is by reason of (a) involuntary termination without Cause, (b) resignation for Good Reason within 12 months of the consummation of a Change of Control, (c) death, (d) Disability, or (e) Approved Retirement (as those capitalized terms are defined in the Addendum to this Agreement).

In the event your employment is terminated on or after the one year anniversary of commencement of the Performance Period and prior to the end of the Performance Period for any of the reasons (a) through (e) in the first paragraph of this Section, you or your estate shall be entitled to receive a pro-rata distribution (calculated based on the days elapsed in the Performance Period prior to the employment termination date divided by the total days in the Performance Period) of the Performance Award determined by the Committee, in its sole discretion, upon completion of the Performance Period to be paid based on the attached Performance Goals Schedule. In the event your employment is terminated for any of the reasons (a) through (e) in the first paragraph of this Section after completion of the Performance Period but prior to certification and distribution of the Performance Award, you or your estate shall be entitled to receive the Performance Award determined by the Committee upon completion of the Performance Period to be distributed, in its sole discretion, based on the attached Performance Goals Schedule. Such distribution will be made at the same time that distributions are made to active employees.

8. **Change of Control.** If, in connection with any Change of Control, the acquiring Person, surviving or acquiring corporation or entity, or any Affiliate of such corporation or entity, elects to assume or continue the obligations of Deluxe under this Agreement and to replace the Shares issuable under it with Equivalent Replacement Securities, then all references herein to Shares shall thereafter be deemed to refer to the Equivalent Replacement Securities issuable upon attainment of Performance Goals, references to Deluxe shall thereafter be deemed to refer to the issuer of such Equivalent Replacement Securities, and all other terms of this Agreement shall continue in effect except as to the extent modified by this Section 8.

If the Change of Control does not meet the assumption, continuation or replacement criteria specified in this Section 8, then the value of the Target Award shall be calculated based upon the value of a Share as of the closing price on the business day immediately prior to the effective date of the Change of Control and that amount shall become due and payable in cash, immediately upon the Change of Control. Nothing contained herein shall limit the authority of the Committee under Section 4(c) of the Plan to make adjustments to the Shares subject to this Agreement in the case of a transaction described in Section 4(c) of the Plan that does not constitute a Change of Control.

9. **Income Taxes.** You are liable for any federal and state income or other taxes applicable upon the distribution to you of any Shares or other payments under this Agreement, and you acknowledge that you should consult with your own tax advisor regarding the applicable tax consequences. Upon the distribution of Shares, you shall promptly pay to Deluxe in cash, or in previously acquired shares of Deluxe common stock having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld or collected upon the distribution of the Shares. In the alternative, prior to the end of the Performance Period, you may direct Deluxe to withhold from Shares otherwise to be distributed the number of Shares having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld upon the distribution of the Shares. You acknowledge that no Shares will be distributed to you, notwithstanding any Performance Award, unless and until you have satisfied any obligation for withholding taxes as provided in this Agreement.

10. **Forfeiture of Award and Award Gain Resulting from Certain Activities.**

(a) If, at any time during the period commencing on the first day of the Performance Period and ending 12 months after the date that you have received a Performance Award, you engage in any Forfeiture Activity (as defined below) then, in addition to any other rights Deluxe or its Affiliates may have against you, (i) your rights under this Agreement shall immediately terminate effective as of the date any such activity first occurred, and (ii) the value of any Distributed Shares or cash paid to you pursuant to this Agreement must be paid to Deluxe within 30 days of demand by Deluxe. For purposes hereof, any such value shall be determined by multiplying the number of Distributed Shares by the higher of the closing price of a Share on the business day prior to the date of vesting or the closing price on the business day prior to the date of repayment or, to the extent the Performance Award was paid to you in cash, including any payment pursuant to the penultimate paragraph of Section 8, the amount of cash paid to you or on your behalf. The amount repaid shall not be reduced by any tax withholding, whether paid in Shares or cash.

(b) As used herein, you shall be deemed to have engaged in a Forfeiture Activity if, in violation of any Company policy or other term or condition of your employment, you (i) directly or indirectly engage in any business activity on your own behalf or as a partner, stockholder, director, trustee, officer, consultant or otherwise of any person or entity which is directly in competition with or competitive with any current business of the Company or you solicit, entice or induce any employee or representative of the Company to engage in any such activity, (ii) directly or indirectly solicit, entice or induce (or assist any other person or entity in soliciting, enticing or inducing) any customer (or agent, employee or consultant of any customer) with whom you had contact in the course of your employment with the Company to deal with a competitor of the Company, (iii) fail to hold in a fiduciary capacity for the benefit of the Company all confidential information, knowledge and data, including without limitation customer lists and information, business plans and business strategy ("Confidential Data") relating in any way to the business of the Company, or (iv) are terminated by the Company (or any successor) for Cause.

(c) If any court of competent jurisdiction shall determine that the foregoing forfeiture provisions are invalid in any respect, the court so holding may limit such provisions in any manner which the court determines, such that the provisions, as so limited, shall be enforceable against you.

(d) By accepting this Agreement, you consent to a deduction from any amounts the Company owes you from time to time (including amounts owed to you as wages or other compensation, fringe benefits, or vacation pay, as well as any other amounts owed to you by the Company), to the extent of the amounts you owe the Company under the foregoing provisions. Whether or not the Company elects to make any set-off in whole or in part, if the Company does not recover by means of set-off the full amount you owe, calculated as set forth above, you agree to pay immediately the unpaid balance to the Company.

(e) You will be released from the forfeiture provisions of subparagraph (b)(i) in the event your employment with the Company has been involuntarily terminated without Cause or you voluntarily terminate your employment with the Company for Good Reason. Otherwise, you may be released from the foregoing forfeiture provisions only if the Committee (or its duly appointed agent) determines in its sole discretion that such action is in the best interests of Company.

(f) Nothing contained in this Section shall be construed to limit the provisions of Section 6(h) of the Plan (dealing with recoupment of awards made to certain officers of the Company), which are incorporated into this Agreement by this reference.

11. **Terms and Conditions.** This Agreement does not guarantee your continued employment or alter the right of Deluxe or its Affiliates to terminate your employment at any time. This Award is granted pursuant to the Plan and is subject to its terms. In the event of any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern.

By your acceptance of this performance share award, you agree to all of the terms and conditions contained in this Agreement and in the Plan document. You acknowledge that you have received and reviewed these documents and that they set forth the entire agreement between you and Deluxe regarding your right to the Shares pursuant to this Award Agreement.

DELUXE CORPORATION

By: _____

ADDENDUM TO PERFORMANCE SHARE AWARD AGREEMENT

For the purposes hereof the terms used herein shall have the following meanings:

"Approved Retirement" shall mean any voluntary termination of employment that occurs on or after the date on which the sum of your age and years of employment with Deluxe and/or its Affiliates equals at least seventy-five (75) and that is approved by the Compensation Committee of the Board.

"Board" means the Board of Directors of the Company.

"Cause" shall mean (i) you have breached your obligations of confidentiality to Deluxe or its Affiliates; (ii) you have otherwise failed to perform your duties and do not cure such failure within thirty (30) days after receipt of written notice thereof; (iii) you commit an act, or omit to take action, in bad faith which results in material detriment to Deluxe or its Affiliates; (iv) you have had excessive absences unrelated to illness or vacation ("excessive" shall be defined in accordance with local employment customs); (v) you have committed fraud, misappropriation, embezzlement or other act of dishonesty in connection with Deluxe or its Affiliates or its businesses; (vi) you have been convicted or have pleaded guilty or nolo contendere to a felony or a gross misdemeanor, which gross misdemeanor involves a breach of ethics, moral turpitude, or immoral or other conduct reflecting adversely upon the reputation or interest of Deluxe or its Affiliates; (vii) your unlawful conduct or gross misconduct that is or is reasonably likely to be injurious to the business, finances or reputation of Deluxe; or (viii) you are in default under any agreement between you and Deluxe or any of its Affiliates following any applicable notice and cure period.

A "Change of Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

- (i) any Person becomes the Beneficial Owner, directly or indirectly, of securities of Deluxe representing 30% or more of the combined voting power of Deluxe's then outstanding securities, excluding, at the time of their original acquisition, from the calculation of securities beneficially owned by such Person any securities acquired directly from Deluxe or its Affiliates or in connection with a transaction described in paragraph (iii) below; or
- (ii) the individuals who at the date of your award election hereunder constitute the Board and any new director (other than a director whose initial assumption of office occurs within a year of and is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Deluxe) whose appointment or election by the Board or nomination for election by Deluxe's shareholders was approved or recommended by a vote of a majority of the directors then still in office who either were directors at the date of your award election hereunder or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof; or
- (iii) the shareholders of Deluxe approve a plan of complete liquidation of Deluxe or there is consummated (A) a merger, consolidation, share exchange or similar transaction involving Deluxe, regardless of whether Deluxe is the surviving corporation or (B) the sale or disposition by Deluxe of all or substantially all Deluxe's assets, other than a sale or disposition by Deluxe of all or substantially all of Deluxe's assets to an entity, unless, immediately following such corporate transaction, all or substantially all of the individuals and entities who were the beneficial owners of Deluxe's voting securities immediately prior to such corporate transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the surviving or acquiring entity resulting from such corporate transaction (including beneficial ownership through any parent of such entity) in substantially the same proportions as their ownership, immediately prior to such corporate transaction, of Deluxe's voting securities.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of Common Stock of Deluxe immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Deluxe immediately following such transaction or series of transactions.

"Company" shall mean Deluxe (including any successor corporation) and its Affiliates.

"Disability" shall mean that you are suffering from a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, and that as a result of such impairment either: (i) you have received disability benefits for a period of not less than three months under a long or short-term disability plan or policy (or both), and are eligible for benefits under the long-term disability plan of Deluxe or any Affiliate of which you are employed at the time of such disability; or (ii) in the event that your employer does not have a long-term disability plan in effect at such time, you are unable to engage in any substantial gainful activity.

"Equivalent Replacement Securities" shall mean other equity securities that are listed on a national securities exchange (including by use of American Depository Receipts or any similar method) and are freely transferable under all applicable federal and state securities laws and regulations, the quantity of which shall be determined by the Committee in accordance with Section 4(c) of the Plan.

"Good Reason" shall mean:

- (i) except with your written consent given in your discretion, (a) the assignment to you of any position and/or duties which represent or otherwise entail a material diminution in your position, authority, duties or responsibilities, or (b) any other action by the Company

which results in a material diminution in your position (or positions) with the Company, excluding any diminution attributable to Deluxe's bankruptcy or insolvency or to the fact that Deluxe is no longer a public company;

- (ii) any material reduction in your aggregate compensation and incentive opportunities, or any material failure by the Company to comply with any other written agreement between you and the Company;
- (iii) the Company's requiring you to be based at any location more than 50 miles from your then current location; or
- (iv) any request or requirement by the Company that you take any action or omit to take any action that is inconsistent with or in violation of the Company's ethical guidelines and policies as the same existed within the 120-day period prior to the termination date or any professional ethical guidelines or principles that may be applicable to you,

provided, however, that such events shall constitute Good Reason only if (A) within thirty (30) days following the occurrence of an event claimed to constitute Good Reason, you give Deluxe written notice of such event, (B) Deluxe fails to cure such event within thirty (30) days after receipt of such written notice, and (C) the effective date of your termination of employment is within 180 days following expiration of such cure period.

"Person" shall have the meaning defined in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended, except that such term shall not include (i) Deluxe or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of Deluxe or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of Deluxe in substantially the same proportions as their ownership of stock of Deluxe.

**DELUXE
CORPORATION**

**PERFORMANCE SHARE
UNIT AWARD AGREEMENT
(US)**

[Performance Goals Schedule]

CEO CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Barry C. McCarthy, President and Chief Executive Officer of Deluxe Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Deluxe Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2019

/s/ Barry C. McCarthy

Barry C. McCarthy

President and Chief Executive Officer

CFO CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Keith A. Bush, Chief Financial Officer of Deluxe Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Deluxe Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2019

/s/ Keith A. Bush

Keith A. Bush

Senior Vice President, Chief Financial Officer

CEO AND CFO CERTIFICATION OF PERIODIC REPORT

We, Barry C. McCarthy, President and Chief Executive Officer of Deluxe Corporation (the “Company”), and Keith A. Bush, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 3, 2019

/s/ Barry C. McCarthy

Barry C. McCarthy
President and Chief Executive Officer

/s/ Keith A. Bush

Keith A. Bush
Senior Vice President, Chief Financial Officer