UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934. FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999.

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)	41-0216800 (I.R.S. Employer Identification No.)
3680 Victoria St. N., Shoreview, Minnesota (Address of principal executive offices)	55126-2966 (Zip Code)

Registrant's telephone number, including area code: (651) 483-7111.

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

Common Stock, par value $1.00 per share (Title of Class)	New York Stock Exchange (Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None.

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. _x_ Yes ___ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

The aggregate market value of the voting stock held by non-affiliates of the registrant is $1,836,947,704 based on the last sales price of the registrant's common stock on the New York Stock Exchange on March 15, 2000. The number of outstanding shares of the registrant's common stock as of March 15, 2000 was 72,218,276.

PART I

ITEM 1. NARRATIVE DESCRIPTION OF BUSINESS

Deluxe Corporation (collectively with its subsidiaries, the "Company") is a leading provider of integrated risk management, electronic transaction services and paper payments to the financial services and retail industries. The Company is headquartered in Shoreview, Minnesota, and has facilities in the United States, India, Canada and the United Kingdom. The Company's products and services are sold primarily in the United States.

The Company's operations are conducted by Deluxe Corporation and 25 subsidiaries. During 1999, the Company classified its operations into four business segments: Paper Payment Systems, Electronic Payment Solutions, Professional Services and Government Services. During 1997 and 1998, the Company had two additional segments: Direct Response and Deluxe Direct. These businesses were divested in 1998.

The Company was incorporated under the laws of the State of Minnesota in 1920. From 1920 until 1988, the Company was named Deluxe Check Printers, Incorporated. The Company's principal executive offices are located at 3680 Victoria St. N., Shoreview, Minnesota 55126-2966, telephone (651) 483-7111.

Paper Payment Systems

Paper Payment Systems ("PPS") provides check printing services to financial services companies and markets checks and business forms directly to households and small businesses. PPS sold checks to more than 10,000 financial institutions and fulfilled approximately 105 million check order equivalent units in 1999, as opposed to approximately 111 million equivalent units in 1998. Depositors commonly submit initial check orders and reorders to their financial institutions, which forward them to one of PPS' printing plants. Printed checks are shipped directly by PPS to the depositors and PPS' charges are typically paid directly from the depositors' accounts. PPS, through a separate subsidiary, also provides direct mail checks to consumers and small businesses. PPS endeavors to produce and ship all check orders within two days after receipt of the order. PPS generated revenues of approximately $1,232.9 million in 1999, accounting for approximately 74.7% of the Company's total revenues during that year.

Payment systems and methods have been changing in the United States in recent years as banking and other industries have introduced alternatives to the traditional check, including, among others, charge cards, credit cards, debit cards and electronic payment systems. Sales of checks have also been subject to increased competition and consequent pressure on prices. In addition, the direct mail segment of the check market is growing as a lower-priced alternative to financial institution checks and, in 1999, represented an estimated 21 percent of the personal check industry. These developments have produced a mature market for checks and have created pricing pressure on PPS' check sales.

The Company believes that checks will likely remain an important part of consumers' payment options for many years. To stabilize its check printing operations and improve profitability, the Company has focused in recent years on controlling expenses and increasing efficiency (see "Recent Developments"). The Company has also focused on higher margin products and services, such as specially designed checks and licensed check designs. At the same time, the growing direct mail check segment has been an opportunity for PPS' direct mail personal check operations.

In addition, Business Forms & Supplies, a business unit of PPS, produces and markets short-run computer and business forms and checks. Both product lines are sold primarily through direct mail, telephone marketing and new account referrals from financial institutions.

Electronic Payment Solutions

The Electronic Payment Solutions segment includes eFunds Corporation (f/k/a Deluxe Electronic Payment Systems, Inc.), Chex Systems, Inc. ("Chex Systems"), DebitBureau(SM), Deluxe Payment Protection Systems, Inc. and an electronic check conversion company that the Company acquired in February 1999 (see "Recent Developments"). This business is a leading third party processor of electronic funds transfers in the United States and processed approximately five billion transactions in 1999. The business offers software for such purposes in the United States and foreign markets. The Electronic Payment Solutions segment serves the growing debit payment industry and provides a number of decision support and risk management products and services to combat identity fraud and account abuse using the Debit Bureau(SM) database. Chex Systems is the leader in the account verification business, providing risk management information to approximately 85,000 financial institution offices. Through its Shared Check Authorization Network ("SCAN"), Deluxe Payment Protection Systems, Inc. operates one of the nation's leading check verification services with a network consisting of thousands of retail locations that share risk-management information. Electronic Payment Solutions had revenues (including inter-company sales) of $241.4 million in 1999, or approximately 14.4% of the Company's total 1999 revenues.

Professional Services

In April 1999, the Company acquired the remaining 50% ownership interest in HCL-Deluxe, N.V., a joint venture which the Company entered into with HCL Corporation of India in 1996, for $23.4 million. The joint venture commenced operations in 1997. This business provides information technology development, maintenance and support services and business process management services to financial services companies and to all the Company's businesses. Professional Services had net sales (including inter-company sales) of $19.4 million for all of 1999.

Government Services

Government Services provides electronic benefit transfer ("EBT") services to state and local governments. The business manages, supports and controls the electronic payment of government food and cash benefits for the purchase of goods and services in a retail environment and the distribution of cash in a bank network and retail environment. Government Services currently supports, alone or in conjunction with other providers, electronic benefit transfer programs in nine individual states and local governments and three consortiums comprising 21 states. Government Services also provides Medicaid verification services. Government Services produced approximately $48.3 million in revenues in 1999.

Deluxe Direct

Deluxe Direct, which was divested in 1998, marketed specialty papers, and other products to small businesses and sold direct mail greeting cards, gift wrap and related products to households. Deluxe Direct had net sales of approximately $224 million in 1998 and generated approximately 12% of the Company's total revenues in that year. Deluxe Direct marketed its products primarily through the Social Expressions division of Current, Inc. ("Current") and Paper Direct, Inc. ("Paper Direct").

Current is a direct mail supplier of social expression products, including greeting cards, gift wrap, small gifts and related products. Current's Social Expressions business is seasonal and holiday-related. Historically, more than one-third of Current's annual sales have been made in the fourth quarter. Current's direct mail check business was not included in the divestiture and is included in "Paper Payment Systems." Paper Direct is a direct mail marketer of specialty papers, presentation products and pre-designed forms for laser printing and desktop publishing.

Direct Response

Direct Response, which was divested in 1998, developed targeted direct mail marketing campaigns for financial institutions and it also sold personalized plastic ATM cards and credit and debit cards to financial institutions and retailers and driver's licenses and other identification cards to government agencies. Direct Response provided database products from the Company's Deluxe Data Resources, FUSION Marketing(SM) and Deluxe MarketWise(TM) businesses and fulfillment services that included printing and mailing direct mail marketing pieces (including letter checks offered to credit card holders) and tracking customer response rates. The Direct Response business unit contributed approximately $43 million in revenues in 1998.

RECENT DEVELOPMENTS

eFunds (Tustin) Acquisition

In February 1999, the Company acquired all of the outstanding shares of eFunds Corporation of Tustin, California for $13 million. This company provides electronic check conversion and electronic funds transfer solutions for financial services companies and retailers. This business is included in the Electronic Payment Solutions segment.

IPO/Split-off of eFunds

During 1999, the Company announced that it planned to reduce its corporate support group and move most corporate resources into the Company's operating units to enable them to operate more independently. These moves were substantially completed by the end of 1999. In April 1999, the Company announced that it was changing its business model to a holding company structure with four independently operated business units: Paper Payment Systems; Electronic Payment Solutions; Professional Services and Government Services. In January 2000, the Company announced that its Board of Directors approved a plan to combine its Electronic Payment Solutions, Professional Services and Government Services segments into a separate, independent, publicly traded company to be called eFunds Corporation ("eFunds"). Management believes that the plan to split-off the Company's higher growth businesses is consistent with its strategy to create strategically focused enterprises that can independently achieve their business objectives, raise capital and pursue growth opportunities in their respective markets. Management also believes that splitting-off its electronic payment and e-commerce related businesses into a publicly traded company maximizes shareholder value.

The Company has announced that eFunds plans to issue shares of its common stock to the public through an initial public offering. After this offering, the Company will continue to own at least 80.1% of eFunds' outstanding shares. The Company plans to distribute all of its shares of eFunds' common stock to its shareholders who tender shares of the Company's common stock in an exchange offer (the Split-off). The Company intends to request a private letter ruling from the Internal Revenue Service (IRS) that the Split-off would be a tax-free transaction to the Company and its shareholders. The Split-off is contingent upon the Company receiving a favorable tax ruling from the IRS.

As part of the Split-off, the Company and eFunds will enter into various agreements that address the allocation of assets and liabilities between them and that define their relationship after the separation. The agreements relate to matters such as consummation of the public offering and the Split-off, registration rights for the Company, intercompany loans, software development and business process management services, indemnification, data sharing, real estate matters, tax sharing and transition services.

Sale of NRC

In December 1999, the Company sold NRC Holding Corporation and its subsidiaries (NRC) as these collection businesses did not fit into the Company's new business model.

Acquisition of Designer Checks

In February 2000, the Company acquired all of the outstanding shares of Designer Checks for $97.0 million. Designer Checks produces specialty design checks and related products for direct sale to consumers and will be included in the Company's Paper Payment Systems segment.

ATM Provider

In March 2000, the Company paid $20 million for an approximately 24% interest in a limited liability company that provides automated teller machine (ATM) management and outsourcing services to retailers and financial institutions. The Company has previously entered into vault cash agreements with the limited liability company to supply cash for ATMs in various locations throughout the United States.

Plant Closings

In the first quarter of 1996, the Company announced a plan to close 21 of its financial institution check printing plants over a two-year period. Four additional closings were scheduled to occur in 1999 and 2000. The plant closings were made possible by advancements in the Company's telecommunications, order processing and printing technologies. As of December 31, 1999, the production and front-end functions at all 21 of the plants included in the 1996 announcement were closed. The front-end operations of three of these plants remained open at the end of 1998 and were closed in 1999. Also, three of the four plants scheduled to be closed in 1999 and 2000 were closed as of December 31, 1999, with the fourth plant closed in March 2000.

Restructuring Charges

During the third quarter of 1998, the Company recorded pretax restructuring charges of $39.5 million. The restructuring charges included costs associated with the Company's initiative to reduce its selling, general and administrative (SG&A) expense, discontinuing production of the Direct Response segment's direct mail products, as well as the closing of four additional financial institution check printing plants. The Company anticipated eliminating 800 SG&A positions within sales, marketing, finance, human resources and information services. Discontinuing production of direct mail products was expected to result in the elimination of 60 positions. The check printing plant closures were expected to affect approximately 870 employees. As of the end of 1999, three of the four check printing plants were closed, with the remaining plant closed in the first quarter of 2000. Reductions in SG&A positions are expected to continue through 2000.

During 1999, restructuring accruals of $12.2 million were reversed. The majority of this amount related to the Company's initiatives to reduce its SG&A expense and to discontinue production of direct mail products. The excess accrual amount occurred when the Company determined that it was able to use in its ongoing operations a greater portion of the assets used in the production of direct mail products than originally anticipated, as well as changes in the SG&A expense reduction plans due to the plan announced in April 1999 to reorganize the Company into four independently operated business units. The remainder of the accrual reversal related to the Company's planned reductions within its financial institution check printing business and the Company's decision in 1999 to maintain the international operations of Electronic Payment Solutions. Also during 1999, the Company recorded a restructuring accrual of $.8 million for employee severance and $.8 million for estimated losses on asset dispositions related to the

planned closing of one collections office and planned employee reductions in another collections office within the Company's collections business that was sold in 1999.

Government Services Charges

Asset impairment charges of $.5 million and $26.3 million were recorded in 1999 and 1998, respectively, to write-down the carrying value of long-lived assets of the Government Services segment. The assets consist of point-of-sale equipment, internal-use software and capitalized installation costs utilized in the electronic benefits transfer (EBT) activities of this segment. Management has concluded that the operating losses incurred by this business will continue. This is primarily due to the fact that the variable costs associated with supporting benefit recipient activity are higher than originally anticipated and actual transaction volumes are below original expectations. In calculating the impairment charges, the Company determined that the assets utilized by this business have no fair market value, and so the long-lived assets of this business were reduced to a carrying value of $0. The charges recorded in 1999 represent the write-down of long-lived assets purchased by the Government Services segment during 1999.

During 1998, the Company recorded charges of $14.7 million to reserve for expected future losses on existing long-term contacts of the Government Services segment. Due to a continuing strong economy, record low unemployment and welfare reform, the actual transaction volumes and expected future revenues of this business are well below original expectations. Additionally, actual and expected future telecommunications, installation, help desk and other costs are significantly higher than originally anticipated. These factors resulted in expected future losses on the existing electronic benefits transfer contracts of this business.

During 1999, charges of $8.2 million were recorded to reserve for additional expected future losses on the contracts of the Government Services segment. A majority of the charges resulted from the conclusion of settlement negotiations with a prime contractor regarding the timing and costs of transitioning switching services to a new processor. Also, lower than projected actual transaction volumes (primarily related to states fully rolled-out in 1999) contributed to the changes in the estimates underlying the 1998 charges. These increases to the reserve for accrued contract losses were partially offset by the application of $2.3 million of contract losses against the reserve during 1999.

The Company is currently in negotiations with the prime contractor for a state coalition for which the Company's Government Services business provides EBT services. To date, the Company and the prime contractor have been operating without a binding, legally enforceable contract. The Company is continuing to negotiate towards a final agreement with the prime contractor, and it is likely that the execution of this definitive agreement will result in additional charges.

It is anticipated that Government Services will be part of eFunds following the Split-off and will likely be managed in accordance with the business strategies of eFunds as an independant company.

EMPLOYEES

The Company had approximately 11,900 full- and part-time employees as of March 1, 2000. It has a number of employee benefit plans, including a 401(k) plan, retirement and

profit sharing plans and medical and hospitalization plans. The Company has never experienced a work stoppage or strike and considers its employee relations to be good.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

Reference is made to the information appearing under the caption "Note 15. Business segment information" of the Notes to Consolidated Financial Statements appearing in Part II of this Annual Report on Form 10-K.

FINANCIAL INFORMATION ABOUT DOMESTIC OPERATIONS AND EXPORT SALES

Reference is made to the information appearing under the caption "Note 15. Business segment information" of the Notes to Consolidated Financial Statements appearing in Part II of this Annual Report on Form 10-K.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company are elected by the Board of Directors each year. The term of office of each executive officer will expire at the annual meeting of the Board of Directors that will be held after the regular shareholders meeting on August 4, 2000. The principal occupation of each executive officer is with the Company, and their positions are as follows:

Name	Position	Age	Executive Officer Since
John A. Blanchard III	Chairman of the Board, President and Chief Executive Officer	57	1995
Lawrence J. Mosner	Vice Chairman of the Board and Executive Vice President	57	1995
Thomas W. VanHimbergen	Executive Vice President and Chief Financial Officer	51	1997
Ronald E. Eilers	Senior Vice President and General Manager, Paper Payment Systems	52	1996
Debra A. Janssen	President and Chief Operating Officer, eFunds	43	1999
John H. LeFevre	Senior Vice President, Secretary and General Counsel	56	1994

MR. BLANCHARD has served as President and Chief Executive Officer of the Company since May 1, 1995 and as Chairman of the Board of Directors since May 6, 1996. Mr. Blanchard also serves as Chairman of the Board and Chief Executive Officer of eFunds, and he is expected to continue in that role following the Split-off. From January 1994 to April 1995, Mr. Blanchard was executive vice president of General Instrument Corporation, a supplier of systems and equipment to the cable and satellite television industry. From 1991 to 1993, Mr.

Blanchard was chairman and chief executive officer of Harbridge Merchant Services, a national credit card processing company. Previously, Mr. Blanchard was employed by American Telephone & Telegraph Company for 25 years, most recently as senior vice president responsible for national business sales. Mr. Blanchard also serves as a director of Wells Fargo and Company and ADC Telecommunications, Inc.

MR. MOSNER has served as Executive Vice President of the Company with overall responsibility for all of its day-to-day operations since July 1997 and he became Vice-Chairman of the Company's Board of Directors in August 1999. Following the Split-off, Mr. Mosner is expected to succeed Mr. Blanchard as Chairman of the Board and Chief Executive Officer of the Company. Mr. Mosner served as Senior Vice President of the Company from November 1995 until October 1996, when he became President of Deluxe Direct, Inc. ("DDI") a subsidiary of the Company that provided management services to the companies in its Deluxe Direct business unit. As a Senior Vice President of the Company and President of DDI, Mr. Mosner served as the Principal Executive Officer of Deluxe Direct. In February 1997, Mr. Mosner returned to the office of Senior Vice President of the Company and he served as President of its Paper Payment Systems business unit until he became Executive Vice President of the Company. Mr. Mosner was executive vice president and chief operating officer of Hanover Direct, a direct marketing company, with responsibility for non-apparel products, from 1993 until he joined the Company. Previously, he was employed for 28 years by Sears, Roebuck and Company, where he was Vice President of catalog merchandising from 1991 to 1993.

MR. VANHIMBERGEN served as Senior Vice President and Chief Financial Officer of the Company from May 1997 through August 1999, when he became Executive Vice President and Chief Financial Officer. From 1996 until he joined the Company, Mr. VanHimbergen served as senior vice president and chief financial officer of Federal-Mogul Corporation ("Federal-Mogul") and from 1994 until 1996, Mr. VanHimbergen served as vice president and chief financial officer of Allied Signal Automotive, Inc. ("Allied Signal"). Prior to joining Allied Signal, Mr. VanHimbergen was employed by Tenneco Corporation ("Tenneco") from 1988 through 1994, where he served in a variety of capacities, including vice president and chief financial officer for Tenneco Automotive from 1993 to 1994. Tenneco, Allied Signal and Federal Mogul are global manufacturers and distributors of automotive parts. From 1971 through 1988, Mr. VanHimbergen served in various financial, human resource and treasury positions for A.O. Smith Corporation, a diversified manufacturer and distributor and a provider of electronic payment systems and information services. Mr. VanHimbergen is expected to leave the employ of the Company in April 2000.

MR. EILERS joined the Company in 1988 when it purchased Current. From 1990 to 1995, Mr. Eilers served as Vice President and General Manager of Current's direct mail check business. In 1995, Mr. Eilers became President of PaperDirect, Inc. and the manager of the Company's business forms division. Mr. Eilers became a Vice President of DDI in October 1996 and he succeeded Mr. Mosner as the

President of DDI in February 1997. In August 1997, Mr. Eilers became a Senior Vice President of the Company and he now manages its

Paper Payment Systems business. Mr. Eilers is expected to serve as President and Chief Operating Officer of the Company following the Split-off.

MS. JANSSEN has served as President and Chief Operating Officer of eFunds since March 1, 2000 and she is expected to continue in that capacity following the Split-off. She joined the Electronic Payment Solutions business unit in February 1998 as Senior Vice President and was named President and CEO of this segment in March 1998. Prior to joining the Company, Ms. Janssen worked for 14 years for M&I Data Services in a variety of capacities, most recently as senior vice president and chief information officer. M&I Data Services is an electronic transaction processor.

MR. LEFEVRE has served as Senior Vice President, General Counsel and Secretary of the Company since February 1994. From 1978 to February 1994, Mr. LeFevre was employed by Wang Laboratories, Inc. From 1988 until February 1994, he held various positions in Wang Laboratories' law department, including corporate counsel, vice president, general counsel and secretary. Wang Laboratories was in the business of manufacturing and selling computer hardware and software and related services. Mr. LeFevre presently expects to leave the employ of the Company following the Split-off.

ITEM 2. PROPERTIES

The Company conducts its operations in 47 principal facilities, 46 of which are used for production and service operations. These facilities are located in 17 states, Canada, India and the United Kingdom and total approximately 3,025,000 square feet. The Company's headquarters occupies a 158,000 square foot building in Shoreview, Minnesota. Paper Payment Systems has three principal facilities in Shoreview, Minnesota, totaling approximately 550,000 square feet. These sites are devoted to sales, administration, marketing, manufacturing support and call centers. Electronic Payment Solutions' primary administrative facility occupies a 171,000 square foot building in Glendale, Wisconsin and its principal data processing centers are located in New Berlin, Wisconsin and Phoenix, Arizona. Electronic Payment Solutions occupies four additional principal facilities in Bloomington, Minnesota, Dallas, Texas and Bothell, Washington totaling approximately 152,000 square feet. Professional Services has sales offices in New York, New York, San Francisco, California, Charlotte, North Carolina and Dallas, Texas totaling approximately 20,000 square feet and three facilities in New Delhi and Chennai, India totaling approximately 111,000 square feet. The offices in India are used for software development and business process outsourcing. Government Services shares space with Electronic Payment Solutions in Glendale, Wisconsin and has two service facilities in Baltimore, Maryland and Centerville, Utah totaling approximately 2,100 square feet. All but 13 of the Company's facilities are one-story buildings and most were constructed and equipped in accordance with the Company's plans and specifications.

More than half of the Company's total production area has been constructed during the past 20 years. The Company owns 20 of its principal facilities and leases the remainder for terms

expiring from 2000 to 2009. Depending upon the circumstances, when a lease expires, the Company either renews the lease or constructs a new facility to replace the leased facility.

In 1999, the Company entered into a $42.5 million sale-leaseback transaction whereby the Company sold five existing facilities in Shoreview, Minnesota and leased back three of these facilities for periods ranging from five to 10 years. The Company provided short-term financing for $32.5 million of the proceeds of this sale. This loan was paid in full in January 2000.

In 1996, the Company announced a plan to close 21 of its financial institution check printing plants. Four additional plant closings scheduled for 1999 and 2000 were announced in 1998. These plant closings were made possible by advancements in the Company's telecommunications, order processing and printing technologies. All of these plants were closed by March 2000. The Company's nine remaining plants are equipped with sufficient capacity to produce at or above current order volumes. As a result of its consolidation efforts, the Company currently owns five vacant facilities. These facilities, which total approximately 301,000 square feet, are or will be held for sale.

ITEM 3. LEGAL PROCEEDINGS

Other than routine litigation incidental to its business, there are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of the Company's property is subject.

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the New York Stock Exchange under the symbol DLX. During the years ended December 31, 1999 and 1998 the Company declared dividends of $0.37 per share during each quarterly period. As of December 31, 1999 the number of shareholders of record was 13,907. The table below shows the per-share price ranges of the Company's common stock for the past two fiscal years as quoted on the New York Stock Exchange.

STOCK PRICE RANGES (DOLLARS)	HIGH	LOW	CLOSE
1999			
Quarter 1	37 3/8	29 1/8	29 1/8
Quarter 2	38 13/16	28 5/16	38 13/16
Quarter 3	40 1/2	33 1/8	34
Quarter 4	34 13/16	24 3/4	27 7/16
1998			
Quarter 1	35 11/16	32 1/2	32 15/16
Quarter 2	35 3/4	31 3/8	35 3/4
Quarter 3	37 15/16	28 3/8	28 7/16
Quarter 4	37	26 3/8	36 9/16

ITEMS 6, 7, 7A AND 8. SELECTED FINANCIAL DATA, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK AND FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

DELUXE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMPANY PROFILE

In April 1999, the Company announced that it was changing its business model to a holding company structure with four independently operated business units: Paper Payments Systems; Electronic Payment Solutions; Professional Services and Government Services. Paper Payment Systems provides check printing services to financial services companies and markets checks and business forms directly to households and small businesses. Government Services provides electronic benefits transfer services and online medical eligibility verification services to state and local governments. Electronic Payment Solutions combined under single management five of the Company's former operating units: Deluxe Electronic Payment Systems, Inc., DebitBureau(SM), Chex Systems, Inc., Deluxe Payment Protection Systems, Inc. and an electronic check conversion company which was acquired in February 1999. These businesses were combined into a single integrated unit in order to provide opportunities for revenue and profit growth in excess of what would have been generated had they continued to operate independently. This segment serves the financial services and retail industries by providing comprehensive electronic payment management solutions which combine transaction processing with decision support and risk management tools.

The Company also announced in April 1999 that it acquired the remaining 50% ownership interest in HCL-Deluxe, N.V., a joint venture which the Company entered into with HCL Corporation of India in 1996. The joint venture commenced operations in 1997. This business comprises the Company's Professional Services segment and provides information technology development, maintenance and support and business process management to financial services companies and to all of the Company's businesses. Prior to acquiring the remaining ownership interest, the Company recorded the results of this business under the equity method of accounting. As such, the Company's 50% ownership of the joint venture's results of operations prior to April 1999 were reflected in other expense in the consolidated statements of income. Subsequent to April 1999, this segment's entire results of operations and account balances are included in the Company's consolidated financial statements.

During 1999, the Company also announced that it planned to reduce its corporate support group and move most corporate resources into the Company's business units in order to enable them to operate more independently. These moves were essentially completed by the end of 1999.

In December 1999, the Company sold NRC Holding Corporation and its subsidiaries (NRC), the Company's collections business, as it did not fit into the Company's new business model.

Prior to 1999, the Company also operated two other business segments: Direct Response and Deluxe Direct. The sales of both of these businesses were completed in December 1998. Direct Response provided direct marketing, customer database management and related services to the financial industry and other businesses. Deluxe Direct primarily sold greeting cards, stationery and specialty paper products through direct mail.

The Company's segments operate primarily in the United States. The Electronic Payment Solutions and Professional Services segments also have international operations.

RESULTS OF OPERATIONS

YEAR ENDED 1999 COMPARED TO YEAR ENDED 1998

NET SALES - Net sales decreased $283.2 million, or 14.6%, to $1,650.5 million in 1999 from $1,933.7 million in 1998. This decrease was primarily due to discontinuing production of direct mail products and the sale of the remaining businesses in the Direct Response and Deluxe Direct segments in 1998. These segments contributed net sales of $266.6 million in 1998. NRC contributed approximately $120 million in net sales in both 1999 and 1998, but will not be included in the Company's operations in 2000 as it was sold in December 1999.

Paper Payment Systems' net sales decreased $48.8 million, or 3.8%, to $1,232.9 million in 1999 from $1,281.7 million in 1998. This decrease was primarily due to lower volume in the financial institution check printing business due to lost customers. The loss of business was due to competitive pricing requirements which fell below the Company's revenue and profitability per unit targets. This volume decrease was partially offset by increased volume for both the direct checks and business forms businesses and increased revenue per unit for all businesses. This segment expects to benefit from the volume increases experienced in 1999 in the direct checks business through increased reorder revenues in 2000.

Electronic Payment Solutions' net sales increased $17.9 million, or 8.0%, to $241.4 million in 1999 from $223.5 million in 1998. Increased net sales due to greater transaction processing and account verification inquiry volumes and price increases were partially offset by decreased software sales due to customer reluctance to make significant software changes prior to 2000. Transaction processing and account verification inquiry volumes increased 27.0% and 6.0%, respectively, as the result of higher volumes from existing customers. Net sales in 1999 did not include significant contributions from several new products which were launched in late 1999. These and other new products launched in early 2000 provide additional sales opportunities in 2000.

Professional Services' net sales of $14.5 million during 1999 represents an increase over 1998, as this segment was acquired in the second quarter of 1999. Sales to external customers were $7.3 million. While the net sales for this segment are not included in the Company's consolidated statements of income for 1998 or the first quarter of 1999, its net sales did increase to $19.4 million for all of 1999 from $13.2 million in 1998. This growth was driven by new clients, increased sales to existing clients and the initiation of business

process management services for the Company. Significant investments in infrastructure and sales capabilities were made in 1999. As such, management believes that 2000 revenues will increase over 1999.

Government Services' net sales increased $4.3 million, or 9.8%, to $48.3 million in 1999 from $44.0 million in 1998. This increase was due to the roll-out of additional states during the latter half of 1998 and early 1999 and price increases on contract extensions for online medical eligibility verification services. Barring further extensions of existing contracts, management believes that 2000 net sales will be lower than 1999 due to contract expirations.

GROSS MARGIN - Gross margin for the Company was 55.1% in 1999 compared to 51.6% in 1998. The increase was primarily due to the $32.2 million reduction in loss contract and asset impairment charges described below. Reduced restructuring charges also contributed to the increase.

1999 cost of sales included charges of $8.2 million for additional expected future losses on the contracts of the Government Services segment. A majority of the charges resulted from the conclusion of settlement negotiations with a prime contractor regarding the timing and costs of transitioning switching services from the Company to a new processor. Also, lower than projected actual transaction volumes (primarily related to states fully rolled-out in 1999) contributed to the changes in the estimates underlying the 1998 charges. These charges were partially offset by the net reversal of $2.0 million of restructuring reserves. Restructuring reserves, relating to the closing of financial institution check printing plants within the Paper Payment Systems segment, were reduced by $2.9 million. The closing check printing plants experienced higher attrition rates than anticipated, resulting in lower severance payments than originally estimated. Offsetting this reduction was additional restructuring charges of $0.9 million relating to reductions within the Company's collection business. By comparison, 1998 cost of sales included restructuring charges of $10.9 million relating to discontinuing production of the Direct Response segment's direct mail products and the planned closure of four financial institution check printing plants within the Paper Payment Systems segment. Additionally, charges of $40.9 million were recorded in 1998 for asset impairments and accrued contract losses relating to the Government Services segment. With these items excluded in each year, the Company's gross margin was 55.5% in 1999 and 54.3% in 1998.

Paper Payment Systems' gross margin increased to 62.9% in 1999 from 60.8% in 1998. This increase was due to cost reductions realized from closing financial institution check printing plants, process improvements within all businesses and the loss of lower margin customers within the financial institution check printing business. Management plans to continue its process improvements and increase sales of higher margin products in 2000.

Electronic Payment Solutions' gross margin decreased to 42.8% in 1999 from 43.2% in 1998. This decrease was due primarily to the introduction of certain new services, such as electronic check conversion services, which in their initial stages have a higher cost of sales than the Company anticipates will be the case in future years.

Professional Services, which was acquired in April 1999, contributed a gross margin of 26.4% in 1999. This compares favorably with the 22.6% gross margin realized by the business in 1998, prior to the inclusion of its results in the Company's consolidated financial statements. The increase can be attributed to sales and execution of more profitable contracts, less reliance on sub-contractors and an increasing proportion of work being done offshore where margins are higher despite lower billing rates. Management expects that margins will continue to improve in 2000 as operations expand and new customers are added.

Gross margin for Government Services increased to 2.1% in 1999 from a negative 93.9% in 1998. This increase during 1999 was due primarily to the $32.2 million reduction in loss contract and asset impairment charges, as well as lower depreciation and amortization expense in 1999 due to the asset impairment charges recorded in 1998.

SELLING, GENERAL AND ADMINSTRATIVE (SG&A) - SG&A expense decreased $151.1 million, or 20.1%, to $602.2 million in 1999 from $753.3 million in 1998. 1999 SG&A expense includes the net reversal of $6.3 million of restructuring reserves. Restructuring reserves of $7.0 million relating to the Company's initiatives to reduce SG&A expense and to discontinue production of direct mail products, as well as the Company's decision in 1999 to retain the international operations of its Electronic Payment Solutions segment were reversed. The excess accrual amount occurred when the Company determined that it was able to use a greater portion of the direct mail production assets in its ongoing operations than was originally anticipated, as well as changes in the SG&A expense reduction initiative due to the plan announced in April 1999 to reorganize the Company into four independently operated business units. Offsetting these reversals were additional restructuring charges of $0.7 million relating to reductions within the Company's collection business. By comparison, 1998 SG&A expense included $21.1 million of restructuring charges relating to the Company's initiative to reduce its SG&A expense and the planned closing of four additional financial institution check printing plants. With these items excluded in each year, SG&A expense decreased $123.7 million, or 16.9%, from 1998. This decrease was largely due to discontinuing production of the Direct Response segment's direct mail products and the sale of the remaining businesses within the Direct Response and Deluxe Direct segments in 1998. These businesses had $146.7 million of SG&A expense in 1998. NRC had approximately $32.0 million of SG&A expense in both 1998 and 1999 which will not be included in the Company's operations in 2000 because the business was sold in December 1999.

Paper Payment Systems' SG&A expense decreased 2.6% from 1998 to 1999. This reflected a decrease within the financial institution check printing business resulting from consolidation efforts and reductions in the number of employees. These decreases were offset by increased marketing expenses for the direct checks business due to an increased emphasis on new customer acquisition. Management believes that SG&A expense will increase from current levels as a percentage of sales during 2000 as the segment continues to grow its direct checks business and create an e-commerce platform for future growth.

Electronic Payment Solutions' SG&A expense increased 13.0% from 1998 due primarily to costs incurred in conjunction with the Company's investment in its DebitBureau(SM) capabilities. This increase was partially offset by initiatives designed to lower SG&A expense, reductions in corporate support SG&A expense, which resulted in lower expenses allocated to the segment, and reduced restructuring charges. 1999 SG&A expense included the reversal of $2.4 million of restructuring charges, while 1998 SG&A expense included net restructuring charges of $2.2 million.

SG&A expense for Professional Services was $13.3 million, or 92.0%, of net sales in 1999. This compares to SG&A expense of $6.4 million, or 48.2%, of net sales in 1998, when the results of this business were not consolidated within the Company's financial statements. The increase in 1999 relates to infrastructure investments and goodwill amortization.

Government Services' SG&A expense increased $1.3 million, or 19.9%, from 1998 to 1999. This was due primarily to an increase in bad debt expense in 1999. This increase was partially offset by the fact that corporate support expenses were not allocated to this segment in 1999.

RESEARCH AND DEVELOPMENT (R&D) - R&D expense increased to $5.0 million, or 0.3% of net sales, in 1999 compared to $1.4 million, or 0.1% of net sales, in 1998. Substantially all of this increase was incurred in conjunction with the development of the DebitBureau(SM) capabilities in the Electronic Payment Solutions segment. The Company expects to maintain R&D expenditures at approximately the same level in 2000.

OTHER INCOME (EXPENSE) - Other income increased $22.7 million from 1998 to 1999. 1999 included a $19.8 million gain on the sale of NRC, while 1998 included a combined loss of $4.9 million on sales of businesses. Additionally, the losses of the Professional Services segment were no longer included in other expense after April 1999 when the Company acquired the remaining ownership interest in this business. After this date, the Company began consolidating this business' results of operations in its consolidated financial statements.

PROVISION FOR INCOME TAXES - The Company's effective tax rate decreased to 37.5% for 1999 from 41.1% for 1998 due primarily to decreased state tax expense as the result of various tax reduction initiatives undertaken by the Company.

NET INCOME - Net income for 1999 increased to $203.0 million, compared to $143.1 million in 1998. This increase was due in part to the reduced restructuring charges, asset impairment charges and accrued losses on long-term service contracts in 1999. The increase was also due in part to improvement in the Company's operating margin resulting from better performance from its ongoing operations as well as from the sales of the businesses within the Direct Response and Deluxe Direct segments in 1998.

YEAR ENDED 1998 COMPARED TO YEAR ENDED 1997

NET SALES - In 1998, the Company's net sales increased $13.0 million, or 0.7% to $1,933.7 million in 1998 from $1,920.6 million in 1997. Revenues lost due to divestitures were more than offset by growth in the Electronic Payment Solutions and Government Services segments. Excluding businesses divested in both years, the Company's consolidated net sales increased 2.0% from 1997 to 1998.

Paper Payment Systems' sales decreased $7.7 million, or 0.6% to $1,281.7 million in 1998 from $1,289.4 million in 1997. The decrease is primarily due to lower volume in financial institution check printing resulting from lost customers. The loss of business was due to competitive pricing requirements which fell below the Company's revenue and profitability per unit targets. This decrease was partially offset by increased volume for the direct checks business and new pricing strategies within the financial institution market.

Electronic Payment Solutions' sales increased $21.4 million, or 10.6% to $223.5 million in 1998 from $202.1 million in 1997. Increased transaction processing and account verification inquiry volumes, higher software licensing and professional services contributed to this increase. Transaction processing and account verification inquiry volumes increased 19.0% and 5.9%, respectively, driven by higher volumes from existing customers. Software licensing and professional services increased due to customers' concerns over the year 2000 impacts.

Government Services' sales increased $17.0 million, or 63.1%, to $44.0 million in 1998 from $27.0 million in 1997. This increase was due to additional state contracts and the roll-out of existing contracts.

Net sales of divested businesses decreased 5.1% from 1997 to $388.7 million.

This decrease was due primarily to lost customers, price decreases for direct mail products, lower catalog circulation and business divestitures, partially offset by volume increases in the collections business.

GROSS MARGIN - The Company's consolidated gross margin was 51.6% in 1998, compared to 53.3% in 1997. 1998 cost of sales included the restructuring charges, asset impairment charges and long-term service contract losses discussed above. 1997 cost of sales included restructuring charges of $7.7 million associated with the Company's 1996 plan to close 21 financial institution check printing plants and severance related to implementing process improvements in the post-press phase of check production. With these charges excluded from both years, consolidated gross margin was 54.3% in 1998, compared to 53.7% in 1997.

Paper Payment Systems' gross margin increased to 60.8% in 1998 from 59.0% in 1997. The segment's slight sales decrease was more than offset by cost savings realized from closing financial institution check printing plants and other efficiency improvements.

Electronic Payment Solutions' gross margin was 43.2% in both 1998 and 1997. Revenue growth was more than offset by increased information services and other infrastructure costs,

reflecting the Company's investment in this segment. However, these increased infrastructure costs were substantially offset by reduced incentive compensation costs.

Government Services' gross margin declined from negative 8.4% in 1997 to negative 93.9% in 1998, primarily due to loss contract and asset impairment charges totaling $40.9 million. Excluding these charges, this segment's gross margin improved to negative 0.7% in 1998, reflecting increased volume and lower depreciation and amortization expense in 1998 due to the asset impairment charges recorded in the third quarter of 1998.

Divested businesses' gross margins decreased to 41.9% in 1998 from 45.1% in 1997, due to decreased volume, lower prices for direct mail products and the divestiture of a higher margin business in late 1997.

SELLING, GENERAL AND ADMINSTRATIVE (SG&A) - In 1998, the Company's SG&A expense decreased $29.2 million, or 3.7%, from 1997. As discussed above, 1998 SG&A expense included $21.1 million of restructuring charges relating to the Company's initiative to reduce SG&A expense and the planned closing of four additional financial institution check printing plants. 1997 SG&A expense included restructuring charges of $13.9 million associated with the Company's 1996 plan to close 21 financial institution check printing plants, the implementation of a new order processing and customer service system and reductions in support functions at corporate operations and other businesses. 1997 SG&A expense also included asset impairment charges of $16.1 million related to businesses held for sale. Excluding these charges from both years, SG&A expense decreased $20.3 million, or 2.7%, from 1997.

Paper Payment Systems' SG&A expense decreased 1.8% from 1997. Increased costs associated with implementing a new order processing and customer service system and increased selling expenses to support the volume increases in the direct checks business were more than offset by lower restructuring charges in 1998 than in 1997.

Electronic Payment Solutions' SG&A expense increased 18.7% from 1997 due to increased selling and marketing costs associated with the growth of and investment in this business and $2.7 million of costs incurred in connection with the development of DebitBureau(SM) capabilities.

Government Services' SG&A expense decreased 36.3% from 1997 primarily because of lower legal costs.

SG&A expense for divested units decreased 18.3% from 1997, primarily because of reduced discretionary spending, reduced catalog circulation, and lower costs resulting from reorganizing a portion of the marketing function at the direct mail businesses.

GOODWILL IMPAIRMENT CHARGES - During 1996, the Company announced its plans to divest three businesses within its Deluxe Direct segment. During 1997, the Company determined that it would divest certain international operations of its Electronic Payment

Solutions segment. In 1997, the Company recorded impairment charges of $99.0 million to write these businesses down to their estimated fair values less costs to sell. Of this amount, $82.9 million related to the goodwill of these businesses. The sales of the Deluxe Direct businesses were completed in 1998. Also during 1998, there was a change in the management of the Electronic Payment Solutions segment. As a result, in January 1999, the Company determined that the international operations of this segment maintained a continuing strategic importance and were no longer considered held for sale.

OTHER INCOME (EXPENSE) - Other income increased $40.5 million from 1997 to 1998. 1997 results included an accrual of $40.0 for legal proceedings related to the Government Services segment. During 1997, a judgment was entered against the Company in the U.S. District Court for the Western District of Pennsylvania. The case was brought against the Company by Mellon Bank in connection with a potential bid to provide electronic benefits transfer services for the Southern Alliance of States. In September 1997, the Company recorded a pretax charge of $40.0 million to reserve for this judgment and other related costs. In 1998, Mellon's motion for prejudgment interest was denied by the district court and the Company reversed $4.2 million of the $40 million liability. This reversal was reflected in other income in the 1998 consolidated statement of income.

PROVISION FOR INCOME TAXES - In 1998, the Company's effective tax rate decreased to 41.1% from 61.2% in 1997. This was due to a lower base of non-deductible expenses resulting primarily from the non-deductible goodwill impairment charges recognized in 1997.

NET INCOME - 1998 net income increased to $143.1 million from $44.7 million in 1997. The primary reason for this increase was the lower amount of reorganization and other charges discussed above.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL CONDITION

Cash provided by operations represents the Company's primary source of working capital and the source for financing capital expenditures and paying cash dividends.

Cash provided by operations was $220.9 million in 1999 compared to $294.3 million in 1998. A majority of the decrease was due to a payment of $32.2 million in 1999 to settle legal proceedings related to the Government Services segment and a $25.0 million increase in restricted cash supplied to ATMs in the Electronic Payment Solutions segment. These decreases were partially offset by cash inflows from decreases in accounts receivable due to an increase in Automated Clearing House (ACH) processing of cash receipts within the Paper Payment Systems segment.

The Company's working capital on December 31, 1999 was $14.1 million compared to $177.4 million on December 31, 1998. The current ratio on December 31, 1999 was 1.0 to 1, compared to 1.4 to 1 on December 31, 1998. The decrease in working capital and current ratio is due primarily to the following uses of cash during 1999: $314.9 million to repurchase

stock of the Company, $115.0 million to purchase capital assets and $113.5 million to pay dividends to shareholders.

Cash used in investing activities was $0.3 million in 1999 and $36.9 million in 1998. Purchases of capital assets was the most significant use of cash for investing activities, totaling $115.0 million for 1999 compared to $121.3 million in 1998. Payments for acquisitions, net of cash acquired, totaled $35.7 million in 1999. There were no acquisitions in 1998. In 1999, the Company used $32.5 million to provide short-term financing on sales of facilities. Sources of investing cash flows were primarily the sales of businesses and capital assets. These activities generated investing cash flows of $166.4 million in 1999 and $117.9 million in 1998. As of December 31, 1999, the Company had no significant fixed asset purchase commitments. The Company anticipates that 2000 capital expenditures will not significantly exceed the 1999 level.

Cash used in financing activities was $348.6 million in 1999 and $160.4 million in 1998. The primary uses of cash for financing activities were payments to repurchase the Company's common stock and the payment of dividends to shareholders. These activities used cash totaling $428.4 million in 1999 compared to $180.0 million in 1998. Sources of cash from financing activities were the issuance of common stock to employees under the Company's stock purchase plan and proceeds from borrowings. Common stock issued to employees generated financing cash flows of $29.2 million in 1999 and $26.2 million in 1998. Proceeds from borrowings were $61.7 million in 1999. There were no borrowings during 1998. Repayments of debt used cash of $11.1 million in 1999 compared to $6.6 million in 1998.

As of December 31, 1999, the Company had committed lines of credit for $650.0 million available for borrowing and as support for commercial paper. The average amount drawn on these lines during 1999 was $39.8 million at a weighted-average interest rate of 6.39%. As of December 31, 1999, $60.0 million was outstanding under these lines of credit at an interest rate of 6.39%. No amounts were drawn on these lines during 1998 and there was no outstanding balance at December 31, 1998. The Company issued no commercial paper during 1999 or 1998.

The Company also had a $5.0 million line of credit, which is denominated in Indian rupees, available to its international operations at an interest rate of 15.81%. The average amount drawn on this line during 1999 was $2.7 million. As of December 31, 1999, $3.1 million was outstanding. This line of credit was not available in 1998.

The Company had uncommitted bank lines of credit for $115.0 million available at variable interest rates. The average amount drawn on these lines during 1999 was $1.5 million at a weighted-average interest rate of 5.12%. No amounts were drawn on these lines during 1998 and there was no outstanding balance at December 31, 1999 and 1998 on these lines of credit.

The Company has a shelf registration in place for the issuance of up to $300.0 million in medium-term notes. Such notes could be used for general corporate purposes, including working capital, capital expenditures, possible acquisitions and repayment or repurchase of

outstanding indebtedness and other securities of the Company. As of December 31, 1999 and 1998, no such notes were issued or outstanding.

Cash provided by operations in 1998 of $294.3 million was down slightly from $295.8 million in 1997. Improved operating results in 1998 were offset by an increase in severance payments from 1997. The Company's working capital on December 31, 1998 was $177.4 million compared to $131.1 million on December 31, 1997. The Company's current ratio on December 31, 1998 was 1.4 to 1 compared to 1.3 to 1 on December 31, 1997.

Cash used in investing activities was $36.9 million in 1998 compared to $89.4 million in 1997. Purchases of capital assets was the most significant use of cash for investing activities, totaling $121.3 million in 1998 and $109.5 million in 1997. Sources of investing cash flows were primarily the sales of businesses and capital assets. These activities generated investing cash flows of $117.9 million in 1998 and $41.7 million in 1997.

Cash used in financing activities was $160.4 million in 1998 and $177.5 million in 1997. The primary uses of cash for financing activities were the payment of dividends to shareholders and payments to repurchase the Company's common stock. These activities used cash totaling $180.0 million in 1998 compared to $177.6 million in 1997. Sources of cash from financing activities were the issuance of common stock to employees under the Company's stock purchase plan and proceeds from borrowings. Common stock issued to employees generated financing cash flows of $26.2 million in 1998 and $23.7 million in 1997. Repayments of debt used cash of $6.6 million in 1998 compared to $23.6 million in 1997.

YEAR 2000 READINESS

In 1996, the Company initiated a program to prepare its computer systems, applications, embedded chip equipment and third-party suppliers/customers for the year 2000. The year 2000 issue affected the Company and most of the other companies and governmental agencies in the world. Historically, certain computer programs were written using two digits rather than four to define the applicable year. As a result, some programs may recognize a date which uses the two digits "00" as 1900 rather than the year 2000, which among other things may cause them to generate erroneous data, lose data elements and possibly fail.

The year 2000 issue did not cause significant operational problems for the Company. Ongoing reviews are scheduled into 2000 to ensure that compliance control processes continue to be used.

The Company incurred expenses of approximately $26.0 million over the life of its year 2000 project, consisting of both internal staff costs and consulting expenses. SAP software implementation costs and other capital expenditures associated with replacing or improving affected systems are not included in these costs. No material information technology project was deferred as a result of this initiative.

MARKET RISK DISCLOSURE

As of December 31, 1999, the Company had an investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of $25.7 million. These securities, like all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase. However, the Company has the ability to hold its fixed income investments until maturity and therefore the Company would not expect to recognize an adverse impact on income or cash flows.

The Company operates internationally, and thus is subject to potentially adverse movements in foreign currency rate changes. The Company does not enter into foreign exchange forward contracts to reduce its exposure to foreign currency rate changes on intercompany foreign currency denominated balance sheet positions. Historically, the effect of movements in the exchange rates have been immaterial to the consolidated operating results of the Company.

OUTLOOK/RECENT EVENTS

In January 2000, the Company announced that its board of directors approved a plan to combine its Electronic Payment Solutions, Professional Services and Government Services segments into a separate, independent publicly traded company to be called eFunds Corporation (eFunds). Management believes that the plan to split-off the Company's higher growth businesses is consistent with its strategy to create strategically focused enterprises that can independently achieve their business objectives, raise capital and pursue growth opportunities in their respective markets. Management also believes that splitting-off its electronic payment and e-commerce related businesses into a publicly traded company maximizes shareholder value.

The Company has announced that eFunds plans to issue shares of its common stock to the public through an initial public offering. After this offering, the Company will continue to own at least 80.1% of eFunds' outstanding shares. The Company plans to distribute all of its shares of eFunds' common stock to its shareholders who tender shares of the Company's common stock in an exchange offer (the Split-off). The Company intends to request a private letter ruling from the Internal Revenue Service (IRS) that the Split-off would be a tax-free transaction to the Company and its shareholders. The Split-off is contingent upon the Company receiving a favorable tax ruling from the IRS.

As part of the Split-off, the Company and eFunds will enter into various agreements that address the allocation of assets and liabilities between them and that define their relationship after the separation. The agreements relate to matters such as consummation of the public offering and the Split-off, registration rights for the Company, intercompany loans, software development and business process management services, indemnification, data sharing, real estate matters, tax sharing and transition services.

In February 2000, the Company acquired all of the outstanding shares of Designer Checks for $97.0 million. Designer Checks produces specialty design checks and related products for direct sale to consumers and will be included in the Company's Paper Payment Systems segment. This acquisition was accounted for under the purchase method of accounting.

Accordingly, the consolidated financial statements of the Company will include the results of this business subsequent to its acquisition date. The purchase price was allocated to the assets acquired and liabilities assumed based on their fair values on the date of purchase. Estimated total cost in excess of net assets acquired in the amount of $88.8 million will be reflected as goodwill and will be amortized over 15 years.

In March 2000, the Company paid $20 million for an approximately 24% interest in a limited liability company that provides automated teller machine (ATM) management and outsourcing services to retailers and financial institutions. This investment will be accounted for under the equity method of accounting. Accordingly, the Company's consolidated statements of income will reflect the results of this business in other income (expense) within the Company's Electronic Payment Solutions segment. The Company has also entered into vault cash agreements with the limited liability company to supply cash for ATMs in various locations throughout the United States.

The Company is currently in negotiations with the prime contractor for a state coalition for which the Company's Government Services segment provides electronic benefits transfer services. To date, the Company and the prime contractor have been operating without a binding, legally enforceable contract. The Company is continuing to negotiate towards a final agreement with the prime contractor. The Company will adjust its provision for expected future losses on long-term contracts when a definitive agreement, not subject to negotiation, is finalized; but it is likely that the execution of this definitive agreement will result in additional charges.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and related information are the responsibility of management. They have been prepared in conformity with generally accepted accounting principles and include amounts that are based on our best estimates and judgments under the existing circumstances. The financial information contained elsewhere in this annual report is consistent with that in the consolidated financial statements.

The Company maintains internal accounting control systems that are adequate to provide reasonable assurance that the assets are safeguarded from loss or unauthorized use. These systems produce records adequate for preparation of financial information. We believe the Company's systems are effective, and the costs of the systems do not exceed the benefits obtained.

The audit committee of the board of directors has reviewed all financial data included in this report. The audit committee is composed entirely of outside directors and meets periodically with the internal auditors, management and the independent public accountants on financial reporting matters. The independent public accountants have free access to meet with the audit committee, without the presence of management, to discuss their audit results and opinions on the quality of financial reporting.

The role of the independent public accountants is to render an independent, professional opinion on management's consolidated financial statements to the extent required by generally accepted auditing standards.

Deluxe recognizes its responsibility for conducting its affairs according to the highest standards of personal and corporate conduct. It has distributed to all employees a statement of its commitment to conducting all Company business in accordance with applicable legal requirements and the highest ethical standards.

Signature	Title
By /s/ John A. Blanchard III John A. Blanchard III	Chairman of the Board of Directors, President and Chief Executive Officer
By /s/ Thomas W. VanHimbergen Thomas W. VanHimbergen	Executive Vice President and Chief Financial Officer

January 26, 2000

DELUXE CORPORATION

FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA

<TABLE>
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Years ended December 31 (dollars in thousands, except per share amounts)	1999	1998	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$1,650,500	$1,933,659	$1,920,629	$1,980,577	$1,937,605
Salaries and wages	473,961	532,305	572,035	586,949	551,788
Provision for income taxes	121,633	99,852	70,478	53,302	74,885
Income from continuing operations	203,022	143,063	44,672	65,463	94,434
Return on sales	12.30%	7.40%	2.33%	3.31%	4.87%
Per share - basic	2.65	1.77	.55	.80	1.15
Per share - diluted	2.64	1.77	.55	.79	1.15
Return on average shareholders' equity	39.66%	23.51%	6.75%	8.77%	11.84%
Return on average assets	18.76%	12.33%	3.84%	5.30%	7.40%
Net income	203,022	143,063	44,672	65,463	87,021
Per share - basic	2.65	1.77	.55	.80	1.06
Per share - diluted	2.64	1.77	.55	.79	1.06
Cash dividends per share	1.48	1.48	1.48	1.48	1.48

Shareholders' equity	417,308	606,565	610,248	712,916	780,374
Purchases of capital assets	115,020	121,275	109,500	92,038	125,068
Depreciation and amortization expense	83,910	83,816	81,143	106,636	103,303
Working capital (decrease) increase	(163,302)	46,327	22,911	95,857	(118,116)
Total assets	992,643	1,171,519	1,148,364	1,176,440	1,295,095
Long-term debt	115,542	106,321	109,986	108,622	110,997
Debt to capital ratio	28.30%	15.20%	15.96%	15.41%	17.14%
Average common shares outstanding (thousands)	76,710	80,648	81,854	82,311	82,420
Number of employees	11,691	15,296	18,937	19,643	19,286
Number of production and service facilities	46	58	68	81	81

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Deluxe Corporation
Consolidated Balance Sheets

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December 31 (dollars in thousands)	1999	1998
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	$ 140,465	$ 268,389
Restricted custodial cash	3,429	545
Marketable securities	25,713	41,133
Trade accounts receivable, net of allowance for doubtful accounts of $5,814 and $3,487, respectively	115,775	145,079
Inventories:		
Raw material	3,110	2,619
Semi-finished goods	7,245	7,401
Finished goods	1,261	1,981
Supplies	15,007	17,400
Deferred advertising	17,189	7,939
Deferred income taxes	14,206	56,554
Prepaid expenses and other current assets	75,349	59,040
Total current assets	418,749	608,080
LONG-TERM INVESTMENTS	40,846	45,208
RESTRICTED CASH	28,939	3,921
PROPERTY, PLANT, AND EQUIPMENT		
Land and land improvements	41,157	46,826
Buildings and building improvements	165,028	209,416
Machinery and equipment	448,445	507,680
Total	654,630	763,922
Less accumulated depreciation	359,845	423,845
Property, plant and equipment-net	294,785	340,077
INTANGIBLES		
Cost in excess of net assets acquired-net	51,705	42,836
Internal use software-net	142,465	116,734
Other intangible assets-net	15,154	14,663
Total intangibles	209,324	174,233
Total assets	$ 992,643	$1,171,519

</TABLE>

Deluxe Corporation
Consolidated Balance Sheets

<TABLE>
<CAPTION>

DECEMBER 31 (DOLLARS IN THOUSANDS)	1999	1998
<S>	<C>	<C>
CURRENT LIABILITIES		
Accounts payable	$ 60,876	$ 53,555
Accrued liabilities:		
Wages, including vacation pay	54,228	60,540
Employee profit sharing and pension	33,490	41,762
Accrued income taxes	28,405	33,075
Accrued rebates	28,281	34,712
Accrued contract losses	20,599	14,697
Other	111,330	185,022
Borrowings on lines of credit	63,100	
Long-term debt due within one year	4,357	7,332
Total current liabilities	404,666	430,695
LONG-TERM DEBT	115,542	106,321
DEFERRED INCOME TAXES	46,322	27,519
OTHER LONG-TERM LIABILITIES	8,805	419
COMMITMENTS AND CONTINGENCIES (NOTES 12 AND 16)		
SHAREHOLDERS' EQUITY		
Common shares $1 par value (authorized: 500,000,000 shares; issued: 1999-72,019,898 shares 1998-80,480,526 shares)	72,020	80,481
Additional paid-in capital		6,822
Retained earnings	346,617	519,742
Unearned compensation	(47)	(238)
Accumulated other comprehensive income	(1,282)	(242)
Shareholders' equity	417,308	606,565
Total liabilities and shareholders' equity	$ 992,643	$1,171,519

</TABLE>

See Notes to Consolidated Financial Statements

Deluxe Corporation
Consolidated Statements of Income

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Years ended December 31 (dollars in thousands, except per share amounts)	1999	1998	1997
<S>	<C>	<C>	<C>
NET SALES	$1,650,500	$1,933,659	$1,920,629
Cost of sales	741,241	935,999	897,313
GROSS MARGIN	909,259	997,660	1,023,316
OPERATING EXPENSES			
Selling, general and administrative	602,157	753,290	782,529
Research and development	5,008	1,361	2,175
Goodwill impairment charges			82,893
Total operating expenses	607,165	754,651	867,597
	302,094	243,009	155,719
OTHER INCOME (EXPENSE)			
Other income (expense)	31,067	8,179	(31,747)
Interest expense	(8,506)	(8,273)	(8,822)
INCOME BEFORE INCOME TAXES	324,655	242,915	115,150
PROVISION FOR INCOME TAXES	121,633	99,852	70,478
NET INCOME	$ 203,022	$ 143,063	$ 44,672
NET INCOME PER SHARE - BASIC	$ 2.65	$ 1.77	$ .55
NET INCOME PER SHARE - DILUTED	$ 2.64	$ 1.77	$ .55

CASH DIVIDENDS PER COMMON SHARE	$ 1.48	$ 1.48	$ 1.48

See Notes to Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Years Ended December 31 (dollars in thousands)	1999	1998	1997
NET INCOME	$ 203,022	$ 143,063	$ 44,672
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX:			
Foreign currency translation adjustments	(555)	177	(1,135)
Unrealized gains on securities:			
Unrealized holding gains arising during the year	4	116	
Less reclassification adjustments for gains included in net income	(489)	(46)	
Other comprehensive (loss) income	(1,040)	247	(1,135)
COMPREHENSIVE INCOME	$ 201,982	$ 143,310	$ 43,537
RELATED TAX BENEFIT (EXPENSE) OF OTHER COMPREHENSIVE INCOME:			
Foreign currency translation adjustments	$ 333	$ (124)	$ 1,790
Unrealized gains on securities:			
Unrealized holding gains arising during the year	(2)	(61)	
Less reclassification adjustments for gains included in net income	263	24	

See Notes to Consolidated Financial Statements

Deluxe Corporation
Consolidated Statements of Cash Flows

Years ended December 31 (dollars in thousands)	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES			
NET INCOME	$ 203,022	$ 143,063	$ 44,672
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	54,305	58,931	54,690
Amortization of intangibles	29,605	24,885	26,453
Asset impairment charges	492	26,252	99,019
Stock purchase discount	4,764	5,905	6,654
Net (gain) loss on sales of businesses	(19,770)	4,850	(866)
Deferred income taxes	63,875	12,146	(25,733)
Changes in assets and liabilities, net of effects from acquisitions and sales of businesses:			
Restricted cash	(27,902)	(4,466)	
Trade accounts receivable	20,578	(5,241)	(5,806)
Inventories	385	3,568	5,019
Accounts payable	7,306	(6,008)	9,678
Other assets and liabilities	(115,714)	30,378	81,998
Net cash provided by operating activities	220,946	294,263	295,778
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of marketable securities with maturities of more than 3 months	32,775	19,199	
Purchases of marketable securities with maturities of more than 3 months	(17,915)	(52,411)	(8,000)
Purchases of capital assets	(115,020)	(121,275)	(109,500)
Payments for acquisitions, net of cash acquired	(35,667)		(10,600)
Net proceeds from sales of businesses, net of cash sold	99,475	89,416	21,627
Proceeds from sales of capital assets	66,892	28,518	20,036

Loans to others	(32,500)		
Other	1,663	(395)	(2,925)
Net cash used in investing activities	(297)	(36,948)	(89,362)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net borrowings (payments) on lines of credit	61,720		(16,783)
Payments on long-term debt	(11,113)	(6,589)	(6,818)
Payments to retire common stock	(314,853)	(60,323)	(56,281)
Proceeds from issuing stock under employee plans	29,208	26,230	23,654
Cash dividends paid to shareholders	(113,535)	(119,682)	(121,321)
Net cash used in financing activities	(348,573)	(160,364)	(177,549)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(127,924)	96,951	28,867
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	268,389	171,438	142,571
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 140,465	$ 268,389	$ 171,438
Supplementary cash flow disclosure:			
Interest paid	$ 9,420	$ 8,018	$ 9,620
Income taxes paid	62,793	82,276	63,612

</TABLE>

See Notes to Consolidated Financial Statements

Deluxe Corporation
Notes to Consolidated Financial Statements

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION-The consolidated financial statements include the accounts of the Company and all wholly owned subsidiaries. All significant intercompany accounts, transactions and profits have been eliminated.

CASH AND CASH EQUIVALENTS-The Company considers all cash on hand, money market funds, outstanding transfers of cash for authorized settlement of automated teller machines (ATMs) with financial institutions and other highly liquid investments with original maturities of three months or less to be cash and cash equivalents. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate fair value.

RESTRICTED CASH-The Company has entered into agreements with a third party to supply cash for ATMs maintained by the third party in various locations throughout the United States. The agreements provide that the Company retains control over and ownership of this cash. Subject to the approval of the Company, the other party to the agreements determines the level of cash required to be maintained within the ATMs up to an authorized level. The Company currently has an aggregated outstanding authorized cash level of $35 million. The agreements are effective through August 31, 2004. The cash in the ATMs is not available for general operating use and is reflected in the Company's consolidated balance sheets as a non-current asset.

In connection with the Company's electronic payment transactions, the Company also has cash belonging to customers that temporarily resides in custodial accounts maintained by the Company. The Company records these amounts as current restricted custodial cash with a corresponding liability within other accrued liabilities in the consolidated balance sheets.

MARKETABLE SECURITIES-Marketable securities consist of debt and equity securities. They are classified as available for sale and are carried at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income in the shareholders' equity section of the consolidated balance sheets. Realized gains and losses and permanent declines in value are included in other income (expense) in the consolidated statements of income. The cost of securities sold is determined using the specific identification method.

INVENTORY-Inventory is stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for substantially all inventory. LIFO inventories were approximately $6.3 million and $5.0 million less than replacement cost at December 31, 1999 and 1998, respectively.

DEFERRED ADVERTISING-These costs consist of materials, production, postage and design expenditures required to produce catalogs for the Company's direct checks and business forms businesses. Such costs are amortized over periods (up to 18 months) that correspond to the estimated revenue streams of the individual catalogs. The actual timing of these revenue streams may differ from these estimates. Sales materials are charged to expense when no longer owned or expected to be used. The total amount of advertising expense recognized in 1999, 1998 and 1997 was $50.1 million, $100.0 million and $101.3 million, respectively.

LONG-TERM INVESTMENTS-Long-term investments consist principally of cash surrender values of insurance contracts, notes receivable and other investments. Such investments are carried at cost or amortized cost which approximates their fair values.

PROPERTY, PLANT AND EQUIPMENT-Property, plant and equipment, including leasehold and other improvements that extend an asset's useful life or productive capabilities, are stated at historical cost. Buildings with 40-year lives and machinery and equipment with lives of three to 11 years are generally depreciated using accelerated methods. Leasehold and building improvements are depreciated on a straight-line basis over the estimated useful life of the property or the life of the lease, whichever is shorter.

INTANGIBLES-Intangibles are presented in the consolidated balance sheets net of accumulated amortization. Amortization expense is determined on the straight-line basis over periods of five to 30 years for cost in excess of net assets acquired (goodwill) and one to 10 years for internal use software and other intangibles. Other intangibles consist primarily of licensed software and software held for sale. Total intangibles at December 31 were as follows (dollars in thousands):

	1999	1998
Cost in excess of net assets acquired	$69,577	$ 63,131
Internal use software	194,685	146,100
Other intangible assets	69,845	69,622
Total	334,107	278,853
Less accumulated amortization	(124,783)	(104,620)
Intangibles - net	$209,324	$ 174,233

IMPAIRMENT OF LONG-LIVED ASSETS-The Company evaluates the recoverability of long-lived assets not held for sale by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. Should the sum of the expected future net cash flows be less than the carrying value of the long-lived asset, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset. In evaluating whether there is any impairment of long-lived assets associated with long-term service contracts, the amount of any contract loss accrual is excluded from the undiscounted future cash flows associated with the long-lived assets when determining whether those assets are impaired.

The Company evaluates the recoverability of long-lived assets held for disposal by comparing the asset's carrying amount with its fair value less costs to sell. Should the fair value less costs to sell be less than the carrying value of the long-lived asset, an impairment loss would

be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset less costs to sell.

INCOME TAXES-Deferred income taxes result from temporary differences between the financial reporting basis of assets and liabilities and their respective tax reporting bases. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not.

CUSTOMER REBATES-On occasion, the Company enters into contractual agreements with its customers for rebates on certain products it sells. The Company records these amounts as reductions to sales and records a liability on the consolidated balance sheets as incurred.

TRANSLATION ADJUSTMENT-The financial position and results of operations of the Company's international subsidiaries are measured using local currencies as the functional currencies. Assets and liabilities of these operations are translated at the exchange rate in effect at the balance sheet date. Income statement accounts are translated at the average exchange rate during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in other comprehensive income in the shareholders' equity section of the consolidated balance sheets. Gains and losses that result from foreign currency transactions are included in earnings.

REVENUE RECOGNITION-The Company records revenues and related profits for the majority of its operations as products are shipped or as services are performed. Revenues are recorded net of any applicable discounts. Transaction processing and service revenues and decision support revenues are generally recognized as the services are performed. Revenues from software license fees for standard software products are recognized when delivery has occurred, the license fee is fixed and determinable, collectibility is probable and evidence of the arrangement exists. Software maintenance and support revenues are recognized ratably over the term of the contract and/or as services are provided. Professional services revenues for software development, custom applications and business process management are generally recognized as the services are performed or proportionately based on the percentage of completion.

LONG-TERM SERVICE CONTRACTS-Long-term service contracts are definitive agreements to provide services over a period of time in excess of one year and with respect to which the Company has no contractual right to adjust the prices or terms at or on which its services are supplied during the term of the contract. Revenues are recognized for all long-term service contracts when the service is performed. Total revenues for some long-term service contracts may vary based on the demand for services. Expenses are recognized when incurred, with the exception of installation costs. Any installation costs are capitalized and recognized ratably over the life of the contract, which approximates the anticipated revenue recognition. Any equipment and software purchased to support a long-term service contract is capitalized and depreciated or amortized over the life of the related contract or the life of the asset, whichever is shorter.

In determining the profitability of a long-term service contract, only direct and allocable indirect costs associated with the contract are included in the calculation. The appropriateness of allocations of indirect costs depends on the circumstances and involves the judgment of management, but such costs may include the costs of indirect labor, contract supervision, tools and equipment, supplies, quality control and inspection, insurance, repairs and maintenance, depreciation and amortization and, in some circumstances, support costs. The method of allocating any indirect costs included in the analysis is also dependent upon the circumstances and the judgment of management, but the allocation method must be systematic and rational. General and administrative costs and selling costs are not included in the analysis. Provisions for estimated losses on long-term service contracts, if any, are made in the period in which the loss first becomes probable and reasonably estimable. Projected losses are based on management's best estimates of a contract's revenue and costs. Actual losses on individual long-term service contracts are compared to the loss projections periodically, with any changes in the estimated total contract loss recognized as they become probable and reasonably estimable.

Certain direct costs associated with the electronic benefits transfer (EBT) contracts discussed in Note 5 are common to a number of contracts and are attributed to each contract based on its use of the services associated with these common direct costs. Revenues, case counts or other applicable statistics are used to attribute these costs to individual contracts.

In the event an asset impairment loss is recognized on long-lived assets used to support a long-term service contract, the original estimation of the contract's costs is revised to reduce the depreciation and amortization associated with the impaired assets accordingly.

RESEARCH AND DEVELOPMENT EXPENSE-Research and development costs, which are expensed as incurred, relate to investigating new or improved processes and techniques and developing such research findings into potential new products or services.

EMPLOYEE STOCK-BASED COMPENSATION-As permitted by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," the Company continues to account for its employee stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost has been recognized for fixed stock options issued under the Company's stock incentive plan. The Company discloses pro forma net income and net income per share as if the fair value method of SFAS No. 123 had been used (see Note 10).

RECLASSIFICATIONS-In 1999, the Company elected to reclassify certain expenses in its consolidated statements of income. As a result, net sales, cost of sales and selling, general and administrative (SG&A) expense have been restated for all prior periods to reflect these new classifications. The Company now reflects the royalty and manufacturing support expenses of its check printing operations in cost of sales. Previously these expenses were included in SG&A expense. These reclassifications resulted in an increase to cost of sales and a decrease to SG&A expense of $20.3 million in both 1999 and 1998 and $15.0 million in 1997. Additionally, the Company now reflects research and development expense as a separate category in the consolidated statements of income. Previously, these expenses were classified as either cost of sales or SG&A expense. Finally, certain other amounts reported in 1998 and 1997 have been reclassified to conform with the 1999 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

USE OF ESTIMATES-The Company has prepared the accompanying consolidated financial statements in conformity with generally accepted accounting principles. In this process, it is necessary for management to make certain assumptions and related estimates affecting the amounts reported in the consolidated financial statements and attached notes. These estimates and assumptions are developed based upon all information available using management's best efforts. However, actual results can differ from assumed and estimated amounts.

NEW ACCOUNTING PRONOUNCEMENTS-In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-5, "Reporting the Costs of Start-up Activities," which provides guidance on the appropriate accounting for start-up activities beginning in 1999. Application of the SOP did not have a material impact on the Company's reported operating results or financial position.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which provides guidance on accounting for derivatives and hedge transactions. This statement is effective for the Company on January 1, 2001. The Company anticipates that the effect of this pronouncement will not have a material impact on reported operating results.

NOTE 2: EARNINGS PER SHARE

The following table reflects the calculation of basic and diluted earnings per share (dollars and shares outstanding in thousands, except per share amounts).

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Net income per share - basic:			
Net income	$203,022	$143,063	$ 44,672
Weighted average shares outstanding	76,710	80,648	81,854
Net income per share - basic	$ 2.65	$ 1.77	$ .55
Net income per share - diluted:			
Net income	$203,022	$143,063	$ 44,672
Weighted average shares outstanding	76,710	80,648	81,854
Dilutive impact of options	273	179	92
Shares contingently issuable	26	28	11
Weighted average shares and potential dilutive shares outstanding	77,009	80,855	81,957
Net income per share - diluted	$ 2.64	$ 1.77	$ .55

</TABLE>

During 1999, 1998 and 1997, options to purchase a weighted average of 2.0 million, 0.7 million and 0.7 million shares, respectively, were outstanding but were not included in the computation of diluted earnings per share. The exercise prices of the excluded options were greater than the average market price of the Company's common shares during the respective periods.

In January 1998, the Company awarded options to substantially all employees (excluding foreign employees and employees of businesses held for sale), allowing them, subject to certain conditions, to purchase 100 shares of common stock at an exercise price of $33 per share. Options for the purchase of 1.7 million shares of common stock were issued under this program. Had these options been issued in previous years, the dilutive impact of options presented above for 1997 may have differed.

NOTE 3: RESTRUCTURING CHARGES

During 1997, the Company recorded restructuring charges of $24.5 million. The charges included costs associated with a 1996 plan to close 21 financial institution check printing plants. These costs could not be recorded in 1996 because they did not meet the requirements for accrual in that year. Additionally, costs associated with the continued consolidation of the Company's core businesses were included in the charges. Termination of additional employees was expected to result from process improvements in the post-press phase of check production, implementation of a new order processing and customer service system and reductions in support functions at corporate operations and other businesses. The restructuring charges consisted of employee severance costs of $21.6 million and $2.9 million for expected losses on the disposition of assets. The severance portion of this charge assumed the termination of approximately 2,800 employees. Expenses of $7.7 million were included in cost of sales, $13.9 million in selling, general and administrative (SG&A) expense and $2.9 million in other expense in the 1997 consolidated statement of income. As of the end of 1999, both the production and front-end functions of all 21 plants were closed. Improvements to the post-press production process were also completed during 1999. Implementation of the new order processing and customer service system is expected to be delayed to early 2001 due to the fact that financial institutions did not want to implement the system in late 1999 or early 2000 due to the efforts they were expending on year 2000 issues.

During 1998, the Company recorded restructuring charges of $39.5 million. The charges included costs associated with the Company's initiative to reduce its SG&A expense, discontinuing production of the Direct Response segment's direct mail products and closing four additional financial institution check printing plants. The Company anticipated eliminating 800 SG&A positions within sales, marketing, finance, human resources and information services. Discontinuing production of direct mail products was expected to result in the elimination of 60 positions. The Company also planned to close four additional financial institution check printing plants, affecting approximately 870 employees. The restructuring charges consisted of employee severance costs of $31.2 million and $8.3 million for expected losses on the disposition of assets. Expenses of $10.9 million were included in cost of sales, $21.1 million in SG&A expense and $7.5 million in other expense in the 1998 consolidated statement of income. As of the end of 1999, three of the four check printing plants were closed, with the remaining plant closed in the first quarter of 2000. Reductions in

SG&A positions are expected to continue through 2000. Also during 1998, the Company reversed $1.0 million of a 1996 restructuring charge. The 1996 charge related to planned reductions in various support functions at the international operations of the Electronic Payment Solutions segment. Due to higher than anticipated attrition, it was necessary to reduce this reserve. This reversal was included in SG&A expense in the 1998 consolidated statement of income.

During 1999, restructuring accruals of $12.2 million were reversed. The majority of this amount related to the Company's initiatives to reduce SG&A expense and to discontinue production of direct mail products. The excess accrual amount occurred when the Company determined that it was able to use a greater portion of the direct mail production assets in its ongoing operations than was originally anticipated, as well as changes in the SG&A expense reduction initiative due to the plan announced in April 1999 to reorganize the Company into four independently operated business units. The remainder of the accrual reversal related to the Company's planned reductions within its financial institution check printing business and the Company's decision in 1999 to retain the international operations of its Electronic Payment Solutions segment (see Note 4). The closing check printing plants experienced higher attrition rates than anticipated, resulting in lower severance payments than originally estimated. Also during 1999, the Company recorded a restructuring accrual of $0.8 million for employee severance and $0.8 million for estimated losses on asset dispositions related to the planned closing of one collections office and planned employee reductions in another collections office within the Company's collection business which was sold in 1999 (see Note 6). These accrual reversals and the new restructuring accrual are reflected in the 1999 consolidated statement of income as a reduction in cost of sales of $2.0 million, a reduction in SG&A expense of $6.3 million and other income of $2.3 million.

The Company's consolidated balance sheets reflect restructuring accruals of $15.1 million and $45.7 million, respectively, for employee severance costs, and $1.1 million and $6.8 million for estimated losses on asset dispositions, respectively, as of December 31, 1999 and 1998.

The status of the severance portion of the Company's restructuring accruals as of December 31, 1999 is as follows (dollars in millions):

<TABLE>
<CAPTION>

	Check Printing Plant	SG&A Reductions & Direct Mail	Collection Center

	Closings/Other(1)		Production		Closing/Reductions		Total	
	No. of employees affected	Amount	No. of employees affected	Amount	No. of employees affected	Amount	No. of employees affected	Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Original accrual	4,970	$68.0	860	$21.2	70	$ 0.8	5,900	$90.0
Severance paid	(3,985)	(55.6)	(305)	(7.1)	(70)	(0.7)	(4,360)	(63.4)
Adjustments to accrual	(545)	(5.9)	(270)	(5.5)		(0.1)	(815)	(11.5)
Balance, December 31, 1999	440	$ 6.5	285	$ 8.6	0	$ 0.0	725	$15.1

</TABLE>

(1) Includes charges recorded in 1996 for the plan to close 21 financial institution check printing plants and charges recorded in 1996 and 1997 for reductions in support functions at corporate operations and other businesses.

The majority of the remaining severance costs are expected to be paid in 2000 with cash generated from the Company's operations.

The status of the estimated loss on asset dispositions portion of the Company's restructuring accruals as of December 31, 1999 is as follows (dollars in millions):

<TABLE>
<CAPTION>

	Check Printing Plant Closings(1)	SG&A Reductions & Direct Mail Production	Collection Center Closing/Reductions	Total
<S>	<C>	<C>	<C>	<C>
Original accrual	$15.0	$ 5.2	$ 0.8	$ 21.0
Losses realized	(13.9)	(3.4)	(0.6)	(17.9)
Adjustments to accrual		(1.8)	(0.2)	(2.0)
Balance, December 31, 1999	$ 1.1	$ 0.0	$ 0.0	$ 1.1

</TABLE>

(1) Includes charges recorded in 1996 for the plan to close 21 financial institution check printing plants.

NOTE 4: IMPAIRMENT LOSSES

During 1997, the Company recorded impairment charges of $99.0 million to write-down the carrying amounts of businesses held for sale in the Deluxe Direct, Direct Response and Electronic Payment Solutions segments. The Company had announced in 1996 plans to divest three businesses in the Deluxe Direct segment. During 1997, the Company determined that it would dispose of certain international operations of its Electronic Payment Solutions segment. The Company determined that it would dispose of the businesses in its Direct Response segment in 1998. Based on fair market value estimates, the Company determined that the long-lived assets of these businesses were impaired. The charges are included in the 1997 consolidated statement of income in goodwill impairment charge ($82.9 million) and SG&A expense ($16.1 million). The disposals of the businesses in the Deluxe Direct and Direct Response segments were completed in 1998 (see Note 6). Also during 1998, there was a change in the management of the Electronic Payment Solutions segment. As a result, in January 1999, the Company determined that the international operations of this segment maintained a continuing strategic importance and were no longer considered held for sale. The decision to retain these operations did not have a material impact on the Company's results of operations or financial position.

During 1998, the Company recorded impairment charges of $26.3 million to write-down the carrying value of long-lived assets of the Government Services segment. The assets consisted of point-of-sale equipment, internal-use software and capitalized installation costs utilized in the EBT activities of this segment. The Company concluded that the operating losses incurred by this business would continue. This is primarily due to the fact that the variable costs associated with supporting benefit recipient activity are higher than originally

anticipated and actual transaction volumes are below original expectations. In calculating the impairment charges, the Company determined that the assets utilized by this business have no fair market value. The point-of-sale equipment was purchased via capital leases. The lease buy-out prices for this equipment plus the deinstallation costs exceeded the amount equipment resellers were willing to pay for the equipment. The utility of the internal-use software was limited to its use in supporting the EBT business, and the installation costs could not be resold. Thus, the long-lived assets of this business were reduced to a carrying value of zero. These impairment charges are reflected in cost of sales in the 1998 consolidated statement of income.

During 1999, due to the continued operating losses of the Government Services segment, additional impairment charges of $0.5 million were recorded. These charges represent the write-down of long-lived assets purchased by this segment during 1999. These assets consisted primarily of software and installation costs associated with the continued roll-out of additional states. All assets purchased were reduced to a carrying value of zero, as they were in 1998. These impairment charges are reflected in cost of sales in the 1999 consolidated statement of income.

NOTE 5: CONTRACT LOSSES

During 1998, the Company recorded charges of $14.7 million to provide for expected future losses on existing long-term contracts of the Government Services segment. These charges are reflected in cost of sales in the 1998 consolidated statement of income. Due to a continuing strong economy, record low unemployment and welfare reform, the actual transaction volumes and expected future revenues of this business are well below original expectations. Additionally, actual and expected future telecommunications, installation, help desk and other costs are significantly higher than originally anticipated. These factors resulted in expected future losses on the existing EBT contracts of this business.

During 1999, charges of $8.2 million were recorded to provide for additional expected future losses on the contracts of the Government Services segment. These charges are reflected in cost of sales in the 1999 consolidated statement of income. A majority of the charges resulted from the conclusion of settlement negotiations with a prime contractor regarding the timing and costs of transitioning switching services from the Company to a new processor. Also, lower than projected actual transaction volumes (primarily related to states fully rolled-out in 1999) contributed to the changes in the estimates underlying the 1998 charge. These increases to the reserve for accrued contract losses were partially offset by the applications of $2.3 million of contract losses against the reserve during 1999.

NOTE 6: BUSINESS COMBINATIONS AND DIVESTITURES

1999 ACQUISITIONS-During February 1999, the Company acquired all of the outstanding shares of an electronic check conversion company for $13 million. This company provides electronic check conversion and electronic funds transfer solutions for financial services companies and retailers. The acquisition was accounted for under the purchase method of accounting. Accordingly, the consolidated financial statements of the Company include the results of this business subsequent to its acquisition date. This business is included in the Electronic Payment Solutions segment in Note 15. The purchase price was allocated to the assets acquired and liabilities assumed based on their fair values on the date of purchase. Total cost in excess of net assets acquired in the amount of $15.7 million is reflected as goodwill and is being amortized over 10 years. The effect of this acquisition was not material to the operations or financial position of the Company.

During April 1999, the Company acquired the remaining 50% ownership interest in HCL-Deluxe, N.V. (HCL) for $23.4 million. The joint venture, which the Company entered into with HCL Corporation of India in 1996, commenced operations in September 1997. The company provides information technology development and support services and business process management services to financial services companies and to all the Company's businesses. The acquisition was accounted for under the purchase method of accounting. Accordingly, the consolidated financial statements of the Company include the entire results of this business from the date the Company acquired 100% ownership. Prior to this, the Company recorded its 50% ownership of the joint venture's results under the equity method of accounting. As such, their results of operations prior to the acquisition are included in other expense in the consolidated statements of income. This business comprises the Professional Services segment in Note 15. The purchase price was allocated to the assets acquired and liabilities assumed based on their fair values on the date of purchase. Total cost in excess of net assets acquired in the amount of $24.9 million is reflected as goodwill and is being amortized over 15 years. The effect of this acquisition was not material to the operations or financial position of the Company.

1999 DIVESTITURES-During 1999, the Company sold substantially all of the assets of NRC Holding Corporation and all of the outstanding stock of United Creditors Alliance International Limited, the Company's collection businesses. The cash proceeds, net of cash sold, from the sales of these businesses was $74.4 million. The 1999 consolidated statement of income reflects a net gain of $19.8 million on these sales. The consolidated financial statements of the Company include the results of these businesses through their sale dates. These businesses contributed revenues of $124.1 million, $121.3 million and $105.8 million, in 1999, 1998 and 1997, respectively.

1998 DIVESTITURES-During 1998, the Company sold substantially all of the assets of PaperDirect (UK) Limited, ESP Employment Screening Partners, Inc., Social Expressions, and the remaining businesses within the Direct Response segment. The Company also sold

all of the outstanding stock of PaperDirect, Inc. The aggregate net sales price for these businesses was $113.7 million, consisting of cash proceeds of $87.9 million and notes receivable of $25.8 million. The Company realized a loss of $10.5 million on the combined sale of PaperDirect and Social Expressions. The individual gains and losses recognized on the sales of the other businesses did not have a material impact on the results of the Company. The consolidated financial statements of the Company include the results of these businesses through their individual sale dates. The notes receivable from the sales of these businesses were collected in full by the end of 1999.

The following summarized, unaudited pro forma results of operations for 1998 and 1997 assume the divestitures occurred as of the beginning of the respective periods. No assumptions were made in the pro forma information concerning the use of the cash received in consideration for the sales of the businesses.

(dollars in thousands, except per share amounts)	1998	1997
Net sales	$1,683,863	$1,656,075
Cost of sales	815,316	765,928
SG&A, research and development, and goodwill impairment charges	620,698	637,268
Other income (expense)	9,382	(40,861)
Provision for income taxes	104,863	89,928
Net income	152,368	122,090
Net income per share - basic	1.89	1.49
Net income per share - diluted	1.88	1.49

1997 ACQUISITIONS-During 1997, the Company acquired substantially all of the assets of Fusion Marketing Group, Inc. for $10.6 million plus amounts contingent on the future earnings of the business. Fusion provides customized database marketing services to financial institutions and is included in the Direct Response segment in Note 15. The acquisition was accounted for under the purchase method of accounting. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their fair values on the date of purchase. Total cost in excess of net assets acquired in the amount of $9.6 million was recorded as goodwill and was being amortized over 15 years. In December 1998, the Company sold the assets of this business. The effect of this acquisition did not have a material pro forma impact on the Company's operations.

1997 DIVESTITURES-During 1997, the Company sold substantially all of the assets of Nelco, Inc., its U.K. checks business, and a product line within the Direct Response segment. The aggregate sales price for these businesses was $17.4 million, consisting of cash proceeds of $11.7 million and notes receivable of $5.7 million. The consolidated financial statements of the Company include the results of these businesses through their individual sale dates. In aggregate, the effect of these divestitures did not have a material impact on the operations of the Company.

NOTE 7: SALE-LEASEBACK TRANSACTION

In 1999, the Company entered into a $42.5 million sale-leaseback transaction whereby the Company sold five existing facilities in Shoreview, Minnesota and leased back three of these facilities for periods ranging from five to 10 years. Of the related leases, two are being accounted for as operating leases and one is a capital lease. An asset of $11.6 million was recorded for the capital lease and is reflected as buildings and building improvements in the December 31, 1999 consolidated balance sheet. The result of this sale was a $17.1 million gain, of which $10.6 million was deferred and is being amortized over the lease terms. $8.7 million of the deferred gain is reflected in other long-term liabilities in the December 31, 1999 consolidated balance sheet. The Company provided short-term financing for $32.5 million of the proceeds from this sale. This amount is reflected in prepaid expenses and other current assets in the December 31, 1999 consolidated balance sheet and is reflected as loans to others in the 1999 consolidated statement of cash flows. The loan was paid in full in January 2000.

NOTE 8: MARKETABLE SECURITIES

On December 31, 1999 and 1998, marketable securities classified as available for sale consisted of the following (dollars in thousands):

<TABLE>
<CAPTION>

1999	Cost	Unrealized holding loss	Fair value
<S>	<C>	<C>	<C>
Debt securities issued by the U.S. Treasury and other government agencies	$ 24,352	$ (636)	$ 23,716
Debt securities issued by states of the U.S. and political subdivisions of states	2,000	(3)	1,997
Total marketable securities	26,352	(639)	25,713
Other debt securities (cash equivalents)	126,457		126,457
Total	$152,809	$ (639)	$152,170

</TABLE>

<TABLE>
<CAPTION>

1998	Cost	Unrealized holding gain	Unrealized holding loss	Fair value
<S>	<C>	<C>	<C>	<C>
Debt securities issued by the U.S. Treasury and other government agencies	$ 17,084		$ (97)	$ 16,987
Debt securities issued by states of the U.S. and political subdivisions of states	14,677	$ 23	(2)	14,698
Corporate debt securities	9,450		(2)	9,448
Total marketable securities	41,211	23	(101)	41,133
Other debt securities (cash equivalents)	256,186	185		256,371
Total	$297,397	$ 208	$ (101)	$297,504

</TABLE>

At December 31, 1999, debt securities maturing in 2000 have a cost basis of $138.8 million and a fair value of $138.6 million. Debt securities maturing in 2001 have a cost basis of $8.0 million and a fair value of $7.8 million. Securities maturing in 2002 have a cost basis of $6.0 million and a fair value of $5.8 million.

Proceeds from sales of marketable securities available for sale were $32.8 million and $19.2 million in 1999 and 1998, respectively. The Company realized net gains of $0.8 million and $70,000 on the sales of marketable securities in 1999 and 1998, respectively. There were no sales of marketable securities in 1997.

NOTE 9: PROVISION FOR INCOME TAXES

Income (loss) before income taxes consists of (dollars in thousands):

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Domestic	$ 325,619	$ 242,676	$ 137,677
Foreign	(964)	239	(22,527)
Total	$ 324,655	$ 242,915	$ 115,150

</TABLE>

The components of the provision for income taxes are as follows (dollars in thousands):

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Current tax provision:			
Federal	$ 55,587	$ 73,776	$ 84,392
State	13,550	22,692	14,062
Total	69,137	96,468	98,454
Deferred tax provision (benefit):			
Federal	51,754	3,252	(23,876)
State	742	132	(4,100)
Total	$ 121,633	$ 99,852	$ 70,478

</TABLE>

The Company's effective tax rate on pretax income differs from the U.S. Federal statutory tax rate of 35% as follows (dollars in thousands):

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Income tax at Federal statutory rate	$ 113,629	$ 85,020	$ 40,303
State income taxes net of Federal income tax benefit	9,290	14,836	6,442
Amortization and write-down of non-deductible intangibles	1,602	745	32,116
Recognition of difference in tax and book investments in subsidiaries sold	401	(2,220)	(3,786)
Change in valuation allowance	2,212	(542)	1,024
Other	(5,501)	2,013	(5,621)
Provision for income taxes	$ 121,633	$ 99,852	$ 70,478

</TABLE>

Tax effected temporary differences which give rise to a significant portion of deferred tax assets and liabilities at December 31, 1999 and 1998, are as follows (dollars in thousands):

<TABLE>
<CAPTION>

	1999		1998	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
<S>	<C>	<C>	<C>	<C>
Property, plant, and equipment		$ 15,774		$ 20,937
Capital loss carryforwards	$ 7,400		$ 25,294	
Deferred advertising		4,747		2,698
Employee benefit plans	11,264		7,490	

Inventory	1,062		708	
Intangibles		38,033		34,656
Net operating loss carry forwards	17,291		13,919	
Restructuring accruals	6,115		19,218	
Reserve for legal proceedings			12,373	
Accrued contract losses	7,210		5,144	
Miscellaneous reserves and accruals	10,969		13,414	
Prepaid services		16,389		
All other	12,994	10,971	14,679	7,706
Subtotal	74,305	85,914	112,239	65,997
Valuation allowance	(20,507)		(17,207)	
Total deferred taxes	$ 53,798	$ 85,914	$ 95,032	$ 65,997

</TABLE>

The valuation allowance at both dates relates primarily to the uncertainty of realizing foreign and state deferred tax assets.

At December 31, 1999, net operating loss carryforwards relating to both foreign and state jurisdictions totaled $103.6 million. Of these carryforwards, $86.6 million expire in various years between 2001 and 2014 and $17.0 million may be carried forward indefinitely. At December 31, 1999, the Company also had capital loss carryforwards of $20.0 million which expire in 2003.

NOTE 10: EMPLOYEE BENEFIT AND STOCK-BASED COMPENSATION PLANS

STOCK PURCHASE PLAN-The Company has an employee stock purchase plan that enables eligible employees to purchase the Company's common stock at 75% of its fair market value on the first business day following each three-month purchase period. Compensation expense recognized for the difference between the employees' purchase price and the fair value of the stock was $4.8 million, $5.9 million and $6.7 million in 1999, 1998 and 1997, respectively. Under the plan, 568,107, 698,830 and 840,143 shares were issued at prices ranging from $20.95 to $27.57, $24.38 to $26.16 and $22.88 to $24.75 in 1999, 1998 and 1997, respectively.

STOCK INCENTIVE PLAN-Under the stock incentive plan, stock-based awards may be issued to employees via a broad range of methods, including non-qualified or incentive stock options, restricted stock and restricted stock units, stock appreciation rights and other awards based on the value of the Company's common stock. Options become exercisable in varying amounts beginning generally one year after the date of grant. The plan was amended in 1996 to

reserve an aggregate of 7 million shares of common stock for issuance under the plan. At December 31, 1999, 2.6 million shares remain available for issuance under the plan.

In 1998, the Company adopted the DeluxeSHARES program. Under this program, options were awarded to substantially all employees of the Company (excluding foreign employees and employees of businesses held for sale), allowing them, subject to certain conditions, to purchase 100 shares of common stock at an exercise price of $33 per share. The options become exercisable when the value of the Company's common stock reaches $49.50 per share or January 30, 2001, whichever occurs first. Options for the purchase of 1.7 million shares of common stock were issued under this program.

All options allow for the purchase of shares of common stock at prices equal to their market value at the date of grant. Information regarding the options issued under the current plan, which was adopted in 1994, the remaining options outstanding under the former plan adopted in 1984, and the DeluxeSHARES plan, is as follows:

<TABLE>
<CAPTION>

	Number of shares	Weighted-average exercise price
<S>	<C>	<C>
Outstanding at January 1, 1997	2,138,559	$33.92
Granted	808,400	30.92
Exercised	(126,100)	29.25
Canceled	(317,507)	35.07
Outstanding at December 31, 1997	2,503,352	33.04
Granted	3,085,800	33.18
Exercised	(277,848)	29.76
Canceled	(689,042)	34.60

Outstanding at December 31, 1998	4,622,262	33.10
Granted	1,231,053	35.72
Exercised	(481,340)	30.62
Canceled	(835,418)	35.41
Outstanding at December 31, 1999	4,536,557	$33.65

</TABLE>

For options outstanding and exercisable at December 31, 1999, the exercise price ranges and average remaining lives were as follows:

<TABLE>
<CAPTION>

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted-average remaining life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
<S>	<C>	<C>	<C>	<C>	<C>
$27.13 to $32.99	1,050,664	6.30 years	$30.45	899,672	$30.37
$33.00 to $35.13	1,943,982	4.61 years	33.07	593,792	33.21
$35.14 to $45.88	1,541,911	8.07 years	36.55	411,596	38.62
	4,536,557	6.18 years	$33.65	1,905,060	$33.04

</TABLE>

The Company issued 106,815, 60,912 and 72,581 restricted shares and restricted stock units at weighted-average fair values of $34.78, $33.22, and $31.52 during 1999, 1998 and 1997, respectively. These awards generally vest over periods ranging from one to five years.

Pro forma information regarding net income and net income per share has been determined as if the Company had accounted for its employee stock-based compensation under the fair value method. The fair value of options was estimated at the date of grant using a Black-Scholes option pricing model. The following weighted-average assumptions were used in valuing options issued in 1999, 1998 and 1997, respectively: risk-free interest rate of 6.7%, 5.9% and 6.0%; dividend yield of 4.6%, 4.5% and 4.0%; and expected volatility of 24.0%, 21.8% and 23.0%. The weighted-average expected option life was 9.0 years, 5.9 years and 7.2 years for 1999, 1998 and 1997, respectively. The weighted-average fair value of options granted in 1999, 1998 and 1997 was $8.24, $5.99 and $7.49 per share, respectively. For purposes of pro forma disclosures, the estimated fair value of the options was recognized as expense over the options' vesting periods. The Company's pro forma net income and net income per share were as follows (dollars in thousands, except per share amounts):

	1999	1998	1997
Net income:			
As reported	$203,022	$143,063	$44,672
Pro forma	197,555	140,510	44,536
Basic net income per share:			
As reported	$2.65	$1.77	$.55
Pro forma	2.58	1.74	.54
Diluted net income per share:			
As reported	$2.64	$1.77	$.55
Pro forma	2.57	1.74	.54

These pro forma calculations only include the effects of grants made subsequent to January 1, 1995. As such, these impacts are not necessarily indicative of the pro forma effects on reported net income of future years.

PROFIT SHARING, DEFINED CONTRIBUTION AND 401(k) PLANS-The Company maintains profit sharing plans, a defined contribution pension plan and plans established under section 401(k) of the Internal Revenue Code to provide retirement benefits for certain employees. The plans cover substantially all full-time employees with approximately 15 months of service. Contributions to the profit sharing and defined contribution plans are made solely by the Company. Employees may contribute up to the lessor of $10,000 or 10% of their wages to the 401(k) plan. The Company will match the first 1% of wages contributed and 50% of the next 4% of wages contributed. All contributions are remitted to the plans' respective trustees, and benefits provided by the plans are paid from accumulated funds of the trusts.

Contributions to the defined contribution pension plan equaled 4% of eligible compensation in 1999 and 1998, and 6% in 1997. Related expense for these years was $15.5 million, $13.7 million and $18.6 million, respectively. Contributions to the profit sharing plans vary based on the Company's performance. Expense for these plans was $17.6 million, $27.5 million

and $25.6 million in 1999, 1998 and 1997, respectively. Company contributions to the 401(k) plan were $7.9 million, $7.8 million and $7.0 million in 1999, 1998 and 1997, respectively.

NOTE 11: POST-RETIREMENT BENEFITS

The Company provides certain health care benefits for a large number of its retired employees. Employees included in the plan may become eligible for such benefits if they attain the appropriate years of service and age while working for the Company. Certain retirees' medical insurance premiums are based on the amounts paid by active employees. Effective January 1, 1998, active employees' premiums were reduced, thus reducing the medical premiums required to be paid by these retirees. Additionally, for retirees who participate in the active employees' indemnity plans, their copayment amount was increased 5%. In 1997, the plan was also amended to provide employees who are involuntarily terminated and who are qualified retirees at the time of termination with a bridge for retiree medical benefits if they are terminated prior to age 53.

The following table summarizes the change in benefit obligation and plan assets during 1999 and 1998 (dollars in thousands):

Benefit obligation, January 1, 1998	$66,183
Service cost	1,218
Interest cost	4,651
Actuarial (gains) and losses	14,232
Effect of curtailment	(1,056)
Benefits paid from general funds of the Company	(4,589)
Benefit obligation, December 31, 1998	80,639
Service cost	1,694
Interest cost	5,286
Actuarial (gains) and losses	3,383
Effect of curtailment	(3,200)
Benefits paid from plan assets and general funds of the Company	(6,947)
Benefit obligation, December 31, 1999	$80,855

Fair value of plan assets, January 1, 1998	$60,203
Actual return on plan assets	4,283
Fair value of plan assets, December 31, 1998	64,486
Actual return on plan assets	11,678
Benefits paid	(3,900)
Fair value of plan assets, December 31, 1999	$72,264

The funded status of the plan was as follows at December 31 (dollars in thousands):

<TABLE>
<CAPTION>

<S>	1999 <C>	1998 <C>
Accumulated post-retirement benefit obligation	$80,855	$80,639
Less:		
Fair value of plan assets (debt and equity securities)	72,264	64,486
Unrecognized prior service cost	743	1,285
Unrecognized net loss	10,908	13,367
Unrecognized transition obligation	5,949	8,209
Prepaid post-retirement asset recognized in the consolidated balance sheets	$(9,009)	$(6,708)

</TABLE>

Net post-retirement benefit cost for the years ended December 31 consisted of the following components (dollars in thousands):

<TABLE>
<CAPTION>

	1999	1998	1997
Service cost--benefits earned during the year	$1,694	$1,218	$877
Interest cost on the accumulated post-retirement benefit obligation	5,286	4,651	4,163
Expected return on plan assets	(6,126)	(5,719)	(4,979)
Amortization of transition obligation	586	680	680
Amortization of prior service cost	257	269	269
Recognized net amortization of (gains) and losses	290	(63)	(78)
Net post-retirement benefit cost	1,987	1,036	932
Curtailment (gain) loss	(1,242)	315	
Total post-retirement benefit cost	$745	$1,351	$932

</TABLE>

As a result of the sale of businesses (see Note 6) and a reduction in employees as a result of the Company's cost-saving initiatives (see Note 3), the Company recognized a net post-retirement benefit curtailment gain of $1.2 million in 1999 and a net curtailment loss of $0.3 million in 1998.

In measuring the accumulated post-retirement benefit obligation as of December 31, 1999, the Company's health care inflation rate for 2000 and beyond was assumed to be 5%. A one percentage point increase in the health care inflation rate for each year would increase the accumulated post-retirement benefit obligation by approximately $12.0 million and the service and interest cost components of the net post-retirement benefit cost by approximately $1.0 million. A one percentage point decrease in the health care inflation rate for each year would decrease the accumulated post-retirement benefit obligation by approximately $10.4 million and the service and interest cost components of the net post-retirement benefit cost by approximately $1.0 million. The discount rate used in determining the accumulated post-retirement benefit obligation as of December 31, 1999 and 1998, was 7.50% and 6.75%, respectively. The expected long-term rate of return on plan assets used to determine the net periodic post-retirement benefit cost was 9.5% in 1999, 1998 and 1997.

NOTE 12: LEASE AND DEBT COMMITMENTS

Long-term debt was as follows at December 31 (dollars in thousands):

<TABLE>
<CAPTION>

	1999	1998
8.55% unsecured and unsubordinated notes due February 15, 2001	$100,000	$100,000
Other	19,899	13,653
Total long-term debt	119,899	113,653
Less amount due within one year	4,357	7,332
Total	$115,542	$106,321

</TABLE>

In February 1991, the Company issued $100 million of 8.55% unsecured and unsubordinated notes due February 15, 2001. The notes are not redeemable prior to maturity. The fair values of these notes were estimated to be $101.8 million and $106.4 million at December 31, 1999 and 1998, respectively, based on quoted market prices.

Other long-term debt consists principally of capital leases on equipment. The capital lease obligations bear interest rates of 6.7% to 15.7% and are due through the year 2009. Carrying value materially approximates fair value for these obligations.

Maturities of long-term debt for the five years ending December 31, 2004, are $4.4 million, $103.7 million, $2.3 million, $1.1 million and $1.1 million, and $7.3 million thereafter.

The Company has entered into operating leases on certain facilities and equipment. Future minimum lease payments for all noncancelable operating leases for the five years ending December 31, 2004, are $20.2 million, $12.8 million, $6.4 million, $4.3 million and $3.1 million, and $2.9 million thereafter. Rental expense was $43.9 million, $45.4 million and $40.9 million, for 1999, 1998 and 1997, respectively.

As of December 31, 1999, the Company had committed lines of credit for $650.0 million available for borrowing and as support for commercial paper. The average amount drawn on these lines during 1999 was $39.8 million at a weighted-average interest rate of 6.39%. As of December 31, 1999, $60.0 million was outstanding under these lines of credit at an interest rate of 6.39%. No amounts were drawn on these lines during 1998 and there was no outstanding balance at December 31, 1998. The Company issued no commercial paper during 1999 or 1998.

The Company also had a $5.0 million line of credit, which is denominated in Indian rupees, available to its international operations at an interest rate of 15.81%. The average amount drawn on this line during 1999 was $2.7 million. As of December 31, 1999, $3.1 million was outstanding. This line of credit was not available in 1998.

The Company had uncommitted bank lines of credit for $115.0 million available at variable interest rates. The average amount drawn on these lines during 1999 was $1.5 million at a weighted-average interest rate of 5.12%. No amounts were drawn on these lines during 1998 and there was no outstanding balance at December 31, 1999 and 1998 on these lines of credit.

The Company has a shelf registration in place for the issuance of up to $300.0 million in medium-term notes. Such notes could be used for general corporate purposes, including working capital, capital expenditures, possible acquisitions and repayment or repurchase of outstanding indebtedness and other securities of the Company. As of December 31, 1999 and 1998, no such notes were issued or outstanding.

Absent certain defined events of default under a $150 million committed credit facility and the indenture related to its outstanding 8.55% unsecured and unsubordinated notes due February 15, 2001, there are no significant contractual restrictions on the ability of the Company to pay cash dividends.

NOTE 13: COMMON STOCK PURCHASE RIGHTS

On February 5, 1988, the Company declared a distribution to shareholders of record on February 22, 1988, of one common stock purchase right for each outstanding share of common stock. These rights were governed by the terms and conditions of a rights agreement entered into by the Company as of February 12, 1988. That agreement was amended and restated as of January 31, 1997 (Restated Agreement).

Pursuant to the Restated Agreement, upon the occurrence of certain events, each right will entitle the holder to purchase one share of common stock at an exercise price of $150. In certain circumstances described in the Restated Agreement, if (i) any person becomes the beneficial owner of 15% or more of the Company's common stock, (ii) the Company is acquired in a merger or other business combination or (iii) upon the occurrence of other events, each right will entitle its holder to purchase a number of shares of common stock of the Company, or the acquirer or the surviving entity if the Company is not the surviving corporation in such a transaction. The number of shares purchasable will be equal to the exercise price of the right divided by 50% of the then-current market price of one share of common stock of the Company, or other surviving entity (i.e., at a 50% discount), subject to adjustments provided in the Restated Agreement. The rights expire January 31, 2007, and may be redeemed by the Company at a price of $.01 per right at any time prior to the occurrence of the circumstances described above.

NOTE 14: SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

(Dollars in thousands)					Accumulated Other Comprehensive Income	
	Common shares	Additional paid-in capital	Retained earnings	Unearned compensation	Unrealized gain (loss) on marketable securities	Cumulative translation adjustment
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1996	$ 82,056		$ 631,151	$ (937)		$ 646

Net income			44,672			
Cash dividends			(121,321)			
Common stock issued	985	$ 30,124				
Common stock retired	(1,715)	(25,366)	(29,200)			
Unearned compensation				288		
Translation adjustment						(1,135)
Balance, December 31, 1997	81,326	4,758	525,302	(649)		(489)
Net income			143,063			
Cash dividends			(119,682)			
Common stock issued	988	31,613				
Common stock retired	(1,833)	(29,549)	(28,941)			
Unearned compensation				411		
Unrealized fair value adjustments					$ 70	
Translation adjustment						177
Balance, December 31, 1998	80,481	6,822	519,742	(238)	70	(312)
Net income			203,022			
Cash dividends			(113,535)			
Common stock issued	1,112	35,846				
Common stock retired	(9,573)	(42,668)	(262,612)			
Unearned compensation				191		
Unrealized fair value adjustments					(485)	
Translation adjustment						(555)
Balance, December 31, 1999	$ 72,020	$ --	$ 346,617	$ (47)	$ (415)	$ (867)

</TABLE>

NOTE 15: BUSINESS SEGMENT INFORMATION

During 1999, the Company announced a plan to reorganize its operations into four independently operated business units. This reorganization was completed by the end of 1999. Accordingly, the segment information for prior years has been restated to conform to the current operating structure.

The Company has organized its business units into four operating segments based on the nature of the products and services offered by each: Paper Payment Systems, Electronic Payment Solutions, Professional Services and Government Services. Paper Payment Systems provides check printing services to financial service companies and markets checks and business forms directly to households and small businesses. Electronic Payment Solutions provides comprehensive electronic payment management solutions that combine transaction

processing with decision support and risk management tools to the financial services and retail industries. Professional Services provides information technology development, maintenance and support and business process management to financial services companies and to all of the Company's businesses. Government Services provides EBT services and online medical eligibility verification services to state and local governments. During 1999, the Company sold its collections business (see Note 6). The results of this business are not included in the Company's segment information, but are included in the Company's reconciliations to consolidated amounts.

In 1997 and 1998, the Company operated two additional segments: Direct Response and Deluxe Direct. Direct Response, which was sold in 1998, provided direct marketing, customer database management and related services to the financial industry and other businesses. Deluxe Direct, which was also sold in 1998, primarily sold greeting cards, stationery and specialty paper products through direct mail.

The Company's segments operate primarily in the United States. The Electronic Payment Solutions and Professional Services segments also have international operations. No single customer of the Company accounted for more than 10% of net sales in 1999, 1998 or 1997.

The accounting policies of the segments are the same as those described in Note 1. In evaluating segment performance, management focuses on income from operations, net income and earnings before interest, taxes, depreciation and amortization (EBITDA). The income from operations measurement utilized by management excludes special charges (e.g., restructuring charges, asset impairment charges, certain one-time charges that management believes are not reflective of on-going operations, etc.). Holding company expenses were allocated to the segments as a fixed percentage of segment revenues. This allocation included expenses for various support functions such as human resources, information services and finance and included depreciation and amortization expense related to holding company assets. The corresponding holding company asset balances have been allocated to the segments. Most inter-segment sales are based on current market pricing.

Prior to the acquisition of the remaining 50% interest in HCL-Deluxe, N.V. in 1999 (see Note 6), the results of this business were recorded under the equity method of accounting. As such, the Company recorded its 50% ownership of the joint venture's results of operations prior to the acquisition in other expense in the consolidated statements of income. To be consistent with management reporting, the entire results of the joint venture for the pre-acquisition periods are reflected in the business segment information as if the business had been a consolidated entity.

<TABLE>
<CAPTION>

1999 (dollars in thousands)	Paper Payment Systems	Electronic Payment Solutions	Professional Services	Government Services	Total Segments
<S>	<C>	<C>	<C>	<C>	<C>
Net sales to external customers	$ 1,232,924	$ 237,885	$ 10,745	$ 48,277	$ 1,529,831
Intersegment sales		3,500	8,630		12,130
Operating income (loss) excluding special charges	307,458	14,842	(7,809)	3,454	317,945
Special charges (recoveries)	(2,782)	(225)	2,938	10,096	10,027
Operating income (loss) including special charges	310,240	15,067	(10,747)	(6,642)	307,918
Net income (loss)	286,041	9,125	(12,566)	(5,033)	277,567
EBITDA	368,608	32,312	(8,767)	(4,540)	387,613
Depreciation and amortization expense	59,257	20,681	1,963		81,901
Segment assets	474,044	210,661	36,200	34,410	755,315
Capital purchases	73,037	34,068	3,373	929	111,407

</TABLE>

<TABLE>
<CAPTION>

1998 (dollars in thousands)	Paper Payment Systems	Electronic Payment Solutions	Professional Services	Government Services	Direct Response	Deluxe Direct	Total Segments
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales to external customers	$1,279,738	$221,964	$ 7,994	$ 43,970	$ 42,662	$ 223,906	$1,820,234
Intersegment sales	1,956	1,586	5,234		722		9,498
Operating income (loss) excluding special charges	312,782	23,459	(3,406)	(6,496)	(20,060)	5,047	311,326
Asset impairment charges				26,252			26,252
Other special charges	11,099	2,375		14,928	2,513		30,915
Operating income (loss) including special charges	301,683	21,084	(3,406)	(47,676)	(22,573)	5,047	254,159
Net income (loss)	245,814	18,843	(5,495)	(31,680)	(12,461)	(6,839)	208,182

EBITDA	360,730	37,009	(3,146)	(39,666)	(16,781)	(3,147)	334,999
Depreciation and amortization expense	54,022	17,294	260	4,225	2,213		78,014
Segment assets	540,871	145,572	5,410	37,286			729,139
Capital purchases	80,416	30,148	1,934	320	602	1,623	115,043

</TABLE>

<TABLE>
<CAPTION>

1997 (dollars in thousands)	Paper Payment Systems	Electronic Payment Solutions	Professional Services	Government Services	Direct Response	Deluxe Direct	Total Segments
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales to external customers	$1,288,630	$ 199,662	$ 1,589	$ 26,965	$ 49,781	$ 249,682	$1,816,309
Intersegment sales	786	2,438	1,691		3,187	1,137	9,239
Operating income (loss) excluding special charges	291,626	27,744	(1,590)	(12,269)	(19,742)	(5,231)	280,538
Asset impairment charges		11,831			5,000	82,188	99,019
Other special charges	17,696	2,316				1,824	21,836
Operating income (loss) including special charges	273,930	13,597	(1,590)	(12,269)	(24,742)	(89,243)	159,683
Net income (loss)	222,336	(2,743)	(1,739)	(30,659)	(16,053)	(92,969)	78,173
EBITDA	315,405	32,513	(1,578)	(48,739)	(14,389)	(89,118)	194,094
Depreciation and amortization expense	45,228	19,168	12	3,580	6,902	697	75,587
Segment assets	525,795	141,360	3,704	46,115	47,876	121,824	886,674
Capital purchases	81,183	17,295	151	690	3,026	2,191	104,536

</TABLE>

Segment information reconciles to consolidated amounts as follows (dollars in thousands):

<TABLE>
<CAPTION>

NET SALES TO EXTERNAL CUSTOMERS	1999	1998	1997
<S>	<C>	<C>	<C>
Total segment net sales to external customers	$ 1,529,831	$ 1,820,234	$ 1,816,309
Divested businesses not included in segments	124,074	121,419	105,909
Professional Services pre-acquisition elimination	(3,405)	(7,994)	(1,589)

Total consolidated net sales to external customers	$ 1,650,500	$ 1,933,659	$ 1,920,629

OPERATING INCOME INCLUDING SPECIAL CHARGES	1999	1998	1997
Total segment operating income	$ 307,918	$ 254,159	$ 159,683
Divested businesses not included in segments	(2,409)	3,612	6,730
Professional Services pre-acquisition elimination	1,234	3,387	1,590
Elimination of intersegment profits		28	99
Unallocated holding company expenses	(4,649)	(18,177)	(12,383)
Total consolidated operating income	$ 302,094	$ 243,009	$ 155,719

</TABLE>

1999 and 1998 unallocated holding company expenses consist of holding company restructuring charges and charges for certain liabilities that are not allocated to the segments. 1997 unallocated holding company expenses consist primarily of holding company restructuring charges.

<TABLE>
<CAPTION>

NET INCOME INCLUDING SPECIAL CHARGES	1999	1998	1997
<S>	<C>	<C>	<C>
Total segment net income	$ 277,567	$ 208,182	$ 78,173
Divested businesses not included in segments	(4,229)	(445)	1,767
Professional Services pre-acquisition elimination	248	3,741	1,074
Elimination of intersegment profits		165	49
Unallocated holding company expenses	(70,564)	(68,580)	(36,391)
Total consolidated net income	$ 203,022	$ 143,063	$ 44,672

</TABLE>

Unallocated holding company expenses affecting net income consist of holding company restructuring charges and charges for certain liabilities that are not allocated to the segments, gains and losses on sales of businesses, interest expense, investment income and related income tax expense.

<TABLE>
<CAPTION>

DEPRECIATION AND AMORTIZATION EXPENSE	1999	1998	1997
<S>	<C>	<C>	<C>
Total segment depreciation and amortization expense	$ 81,901	$ 78,014	$ 75,587
Divested businesses not included in segments	2,050	5,957	5,460
Professional Services pre-acquisition elimination	(143)	(260)	(12)
Unallocated holding company expense	102	105	108
Total consolidated depreciation and amortization expense	$ 83,910	$ 83,816	$ 81,143

<CAPTION>

		December 31,	
TOTAL ASSETS	1999	1998	1997
Total segment assets	$ 755,315	$ 729,139	$ 886,674
Assets of divested businesses not included in segments		68,734	63,317
Professional Services pre-acquisition elimination		(4,732)	(3,369)
Unallocated holding company assets	237,328	378,378	201,742
Total consolidated assets	$ 992,643	$1,171,519	$1,148,364

</TABLE>

Unallocated holding company assets consist primarily of cash, investments and deferred tax assets relating to holding company activities.

<TABLE>
<CAPTION>

CAPITAL PURCHASES	1999	1998	1997

<S>	<C>	<C>	<C>
Total segment capital purchases	$ 111,407	$ 115,043	$ 104,536
Divested businesses not included in segments	3,337	8,156	5,115
Professional Services pre-acquisition elimination	(145)	(1,934)	(151)
Holding company capital purchases	421	10	
Total consolidated capital purchases	$ 115,020	$ 121,275	$ 109,500

</TABLE>

Revenues are attributed to geographic areas based on the location of the assets producing the revenues. The Company's operations by geographic area are as follows (in thousands):

<TABLE>
<CAPTION>

	Net Sales to External Customers			Long-Lived Assets December 31,	
	1999	1998	1997	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
United States	$1,629,853	$1,907,157	$1,883,363	$289,827	$337,048
Foreign countries	20,147	26,502	37,266	4,958	3,029
Total consolidated	$1,650,500	$1,933,659	$1,920,629	$294,785	$340,077

</TABLE>

NOTE 16: LEGAL PROCEEDINGS

During 1997, a judgment was entered against the Company in the U.S. District Court for the Western District of Pennsylvania. The case was brought against the Company by Mellon Bank (Mellon) in connection with a potential bid to provide electronic benefit transfer services for the Southern Alliance of States. In September 1997, the Company recorded a pretax charge of $40 million to reserve for this judgment and other related costs. This charge is reflected in other expense in the 1997 consolidated income statement.

In 1998, Mellon's motion for prejudgment interest was denied by the district court. The Company reversed $4.2 million of the $40 million liability. This reversal is reflected in other income in the 1998 consolidated statement of income. At December 31, 1998, the remaining liability of $34.4 million was included in other accrued liabilities in the consolidated balance sheet.

In January 1999, the United States Court of Appeals for the Third Circuit affirmed the judgment of the district court and the Company paid $32.2 million to Mellon in February 1999. The portion of the reserve remaining after the payment of this judgment ($2.1 million) was reversed and is reflected in other income in the 1999 consolidated statement of income. The United States Supreme Court denied the Company's petition for a further review of this judgment in June 1999.

NOTE 17: SUBSEQUENT EVENTS (UNAUDITED)

In January 2000, the Company announced that its board of directors approved a plan to combine its Electronic Payment Solutions, Professional Services and Government Services businesses into a separate, independent, publicly traded company to be called eFunds Corporation (eFunds).

The Company has announced that eFunds plans to issue shares of its common stock to the public through an initial public offering. After this offering, the Company will own at least 80.1% of eFunds' outstanding shares. The Company plans to distribute all of its shares of eFunds' common stock to its shareholders who tender shares of the Company's common stock in an exchange offer (the Split-off). The Company intends to request a private letter ruling from the Internal Revenue Service (IRS) that the Split-off would be a tax-free

transaction to the Company and its shareholders. The Split-off is contingent upon the Company receiving a favorable tax ruling from the IRS.

As part of the Split-off, the Company and eFunds will enter into various agreements that address the allocation of assets and liabilities between them and that define their relationship after the separation. The agreements relate to matters such as consummation of the public offering and the Split-off, registration rights for the Company, intercompany loans, software development and business process management services, indemnification, data sharing, real estate matters, tax sharing and transition services.

In February 2000, the Company acquired all of the outstanding shares of Designer Checks for $97.0 million. Designer Checks produces specialty design checks and related products for direct sale to consumers and will be included in the Company's Paper Payment Systems segment. This acquisition was accounted for under the purchase method of accounting. Accordingly, the consolidated financial statements of the Company will include the results of this business subsequent to its acquisition date. The purchase price was allocated to the assets acquired and liabilities assumed based on their fair values on the date of purchase. Estimated total cost in excess of net assets acquired in the amount of $88.8 million will be reflected as goodwill and will be amortized over 15 years.

In March 2000, the Company paid $20 million for an approximately 24% interest in a limited liability company that provides ATM management and outsourcing services to retailers and financial institutions. This investment will be accounted for under the equity method of accounting. Accordingly, the Company's consolidated statements of income will reflect the results of this business in other income (expense) within the Company's Electronic Payment Solutions segment. The Company has also entered into vault cash agreements with the limited liability company to supply cash for ATMs in various locations throughout the United States (see Note 1).

Report of Independent Auditors

To the Shareholders of Deluxe Corporation:

We have audited the accompanying consolidated balance sheets of Deluxe Corporation and its subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, comprehensive income, and cash flows for each of the three years in the period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Deluxe Corporation and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte and Touche LLP
Deloitte and Touche LLP

Minneapolis, Minnesota
January 26, 2000

Deluxe Corporation
Summarized Quarterly Financial Data (unaudited)

<TABLE>
<CAPTION>

1999 Quarter Ended	March 31	June 30	September 30	December 31
<S>	<C>	<C>	<C>	<C>
Net Sales	$414,077	$407,841	$417,114	$411,468
Cost of sales	186,078(1)	184,260(1)	187,453(1)	183,450
Net income	48,033	47,779	49,057	58,153(2)
Per share of common stock				

Net income - basic	.60	.61	.65	.79
Net income - diluted	.60	.61	.65	.79
Cash dividends	.37	.37	.37	.37

<CAPTION>

1998 Quarter Ended	March 31	June 30	September 30	December 31
Net Sales	$489,451(1)	$475,216(1)	$470,258(1)	$498,734(1)
Cost of sales	228,4981(1)	224,582(1)	265,220(1)	217,699(1)
Net income (loss)	43,571	42,255	(115)(3)	57,352(4)
Per share of common stock				
Net income - basic	.54	.52	.00	.71
Net income - diluted	.54	.52	.00	.71
Cash dividends	.37	.37	.37	.37

</TABLE>

(1) These figures differ from those previously reported in the Company's Quarterly Reports on Form 10-Q and the Company's Annual Report on Form 10-K/A for the year ended December 31, 1998 due to the financial statement reclassifications outlined in Note 1 in the Notes to the Consolidated Financial Statements.

(2) 1999 fourth quarter results include a gain of $19.8 million on the sale of its collections businesses, the reversal of $6.0 million of restructuring reserves, as well as charges of $8.2 million to reserve for additional expected future losses on existing contracts of the Government Services segment.

(3) 1998 third quarter results include reorganization and other charges of $74.7 million, including restructuring charges of $39.5 million, losses on existing contracts of the Government Services segment of $14.7 million, and asset impairment charges of $26.3 million on the long-lived assets of the Government Services segment offset by a gain on the sale of a business within the Company's Direct Response segment.

(4) 1998 fourth quarter results include a loss of $10.5 million on the sale of the Company's Social Expressions and PaperDirect, Inc. businesses.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEMS 10, 11, 12 AND 13. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT, EXECUTIVE COMPENSATION, SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT, AND CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

To be filed by Amendment.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following financial statements, schedules and independent auditors' report and consent are filed with this report:

Financial Statements

Consolidated Balance Sheets at December 31, 1999 and 1998
Consolidated Statements of Income for each of the three years in the period ended December 31, 1999
Consolidated Statements of Comprehensive Income for each of the three years in the period ended December 31, 1999
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1999
Notes to Consolidated Financial Statements
Independent Auditors' Report
Supplemental Financial Information (Unaudited):
Summarized Quarterly Financial Data
Independent Auditors' Consent to the incorporation by reference of its reports in the Company's registration statements numbered 2-96963, 33-53585, 33-57261, 33-32279, 33-58510, 33-62041, 333-03625, 33-48967 and 333-95739

Schedules other than those listed above are not required or are not applicable, or the required information is shown in the consolidated financial statements or notes.

(b) The following exhibits are filed as part of or are incorporated in this report by reference:

Exhibit Number	Description	Method of Filing
3.1	Articles of Incorporation (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1990).	*
3.2	Bylaws, (incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q (the "September 1999 10-Q") for the quarter ended September 30, 1999).	*
4.1	Amended and Restated Rights Agreement, dated as of January 31, 1997, by and between the Company and Norwest Bank Minnesota, National Association, as Rights Agent, which includes as Exhibit A thereto, the form of Rights Certificate (incorporated by reference to Exhibit 4.1 to the Company's Amendment No. 1 on Form 8-A/A-1 (File No. 001-07945) filed with the Securities and Exchange Commission (the "Commission") on February 7, 1997).	*
4.2	Indenture, relating to up to $150,000,000 of debt securities (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (33-32279) filed with the Commission on November 24, 1989).	*
4.3	Amended and Restated Credit Agreement, dated as of July 8, 1997, among the Company, Bank of America National Trust and Savings Association, as agent, and the other financial institutions party thereto, related to a $150,000,000 committed line of credit (incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K (the "1997 10-K") for the year ended December 31, 1997).	*
4.4	Credit Agreement, dated as of August 30, 1999, among the Company, Bank of America, N.A. as the sole and exclusive administrative agent, and the other financial institutions party thereto related to a $500,000,000 revolving credit agreement (incorporated by reference to Exhibit 4.4 to the September 1999 10-Q).	*
10.1	Deluxe Corporation 1996 Annual Incentive Plan (as amended August 9, 1996) (incorporated by reference to Exhibit 10.4 to the Company's report on Form 10-Q for the Quarter ended September 30, 1996 (the "September 1996 10-Q"), filed with the Commission on November 14, 1996).	*
10.2	Deluxe Corporation Stock Incentive Plan (as amended October 31, 1997), including the Deluxe Corporation Non-Employee	*

	Director Stock and Deferral Plan attached as Annex 1 thereto (incorporated by reference to Exhibit 10.2 to the 1997 10-K).	
10.3	Deluxe Corporation Performance Share Plan (incorporated by reference to Exhibit 10.6 to the September 1996 10-Q).	*
10.4	Deluxe Corporation Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.7 to the September 1996 10-Q).	*
10.5	Deluxe Corporation Deferred Compensation Plan (incorporated by reference to Exhibit (10)(A) to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 (the "1995 10-K")).	*
10.6	Deluxe Corporation Supplemental Benefit Plan (incorporated by reference to Exhibit (10)(B) to the 1995 10-K).	*

10.7	Description of Deluxe Corporation Non-employee Director Retirement and Deferred Compensation Plan (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 (the "1996 10-K").	*
10.8	Description of Initial Compensation and Employment Arrangement with John A. Blanchard III (incorporated by reference to Exhibit 10(G) to the 1995 10-K).	*
10.9	Deluxe Corporation 1998 DeluxeSHARES Plan (incorporated by reference to Exhibit 10.9 to the 1997 10-K).	*
10.10	Description of modification to the Deluxe Corporation Non-Employee Director Retirement and Deferred Compensation Plan (incorporated by reference to Exhibit 10.10 to the 1997 10-K).	*
10.11	Description of John A. Blanchard III Supplemental Pension Plan (incorporated by reference to Exhibit 10(H) in the 1995 10-K).	*
10.12	Description of Severance Arrangement with Thomas W. VanHimbergen. (incorporated by reference to Exhibit 10.15 to the 1997 10-K).	*

10.13	Description of Severance Arrangement with Lawrence J. Mosner (incorporated by reference to Exhibit 10.19 to the 1997 10-K).	*
10.14	Description of non-employee Director Compensation Arrangements.	Filed herewith
10.15	Stock and Asset Purchase Agreement made as of December 31, 1998 among Deluxe Corporation, Current, Inc., Se/PDI Acquisition Corporation and Taylor Corporation (incorporated by reference to Exhibit 10.21 to the Company's Current Report on Form 8-K dated January 15, 1999).	*
10.16	Executive Retention Agreement, dated as of January 9, 1998, between John A. Blanchard and Deluxe Corporation (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (the "May 1998 10-Q").	*
10.17	Executive Retention Agreement, dated as of January 9, 1998, between Ronald E. Eilers and Deluxe Corporation (incorporated by reference to Exhibit 10.5 of the May 1998 10-Q).	*
10.18	Executive Retention Agreement, dated as of January 9, 1998, between Deluxe Corporation and John H. LeFevre (incorporated by reference to Exhibit 10.6 of the May 1998 10-Q).	*
10.19	Executive Retention Agreement, dated as of January 9, 1998, between Deluxe Corporation and Lawrence J. Mosner (incorporated by reference to Exhibit 10.7 of the May 1998 10-Q).	*
10.20	Schedule identifying other Executive Retention Agreements omitted for this Report on Form 10-K and the differences between such Agreements and those filed herewith (incorporated by reference to Exhibit 10.23 to the Company's Annual Report Form 10-k for the year ended December 31, 1998).	*
10.21	Amendment, dated November 1, 1999, to Executive Retention Agreement, dated as of January 9, 1998, between John A. Blanchard and Deluxe Corporation.	Filed herewith

10.22	Schedule identifying other Amendments to Executive Retention Agreements omitted for this Annual Report on Form 10-K and the differences between such Agreements and	Filed herewith

those filed herewith.

10.23	Deluxe Corporation 2000 Employee Stock Purchase Plan (as amended March 29, 2000).	Filed herewith
12.4	Statement re: computation of ratios.	Filed herewith
21.1	Subsidiaries of the Registrant.	Filed herewith
23	Consent of Experts and Counsel (incorporated by reference to page F-1 of this Annual Report on Form 10-K).	*
24.1	Power of attorney.	Filed herewith
27.1	Financial Data Schedule for the year ended December 31, 1999.	Filed herewith
27.2	Financial Data Schedule for the year ended December 31, 1998.	Filed herewith
27.3	Financial Data Schedule for the year ended December 31, 1997	Filed herewith
99.1	Risk Factors and Cautionary Statements.	Filed herewith

- ------------------
*Incorporated by reference

Note to recipients of Form 10-K: Copies of exhibits will be furnished upon written request and payment of the Company's reasonable expenses ($.25 per page) in furnishing such copies.

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of St. Paul, State of Minnesota.

DELUXE CORPORATION

Date: March 28, 2000

By: /s/ John A. Blanchard III

John A. Blanchard III
Chairman of the Board of Directors,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities indicated on March 28,2000.

SIGNATURE	TITLE
By /s/ John A. Blanchard III John A. Blanchard III	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)
By /s/ Thomas W. VanHimbergen Thomas W. VanHimbergen	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
By /s/ Lawrence J. Mosner Lawrence J. Mosner	Vice Chairman
* James J. Renier	Director
* Barbara B. Grogan.	Director
* Stephen P. Nachtsheim	Director
*	

*

Calvin W. Aurand, Jr. Director

*

Donald R. Hollis Director

*

Robert C. Salipante Director

*

Jack Robinson Director

*

Hatim A. Tyabji Director

*By: /s/ John A. Blanchard III

John A. Blanchard III
Attorney-in-Fact

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 2-96963, 33-53585, 33-57261, 333-03625, 33-48967 and 333-95739 on Form S-8 and 33-32279, 33-58510 and 33-62041 on Form S-3 of our report dated January 26, 2000, incorporated by reference in this Annual Report on Form 10-K of Deluxe Corporation for the year ended December 31, 2000.

/s/ Deloitte & Touche LLP
Deloitte & Touche LLP
Minneapolis, Minnesota
March 28, 2000

EXHIBIT INDEX

The following exhibits are filed as part of this report:

Exhibit Number	Description	Page Number
10.17	Description of non-employee Director Compensation Arrangements.	
10.21	Amendment, dated November 1, 1999, to Executive Retention Agreement, dated as of January 9, 1998, between John A. Blanchard and Deluxe Corporation.	
10.22	Schedule Identifying other Amendments to Executive Retention Agreement Omitted from this Report on Form 10-K.	
10.23	Deluxe Corporation 2000 Employee Stock Purchase Plan (as amended March 29, 2000).	
12.4	Statement re: computation of ratios.	
21.1	Subsidiaries of the Registrant.	
24.1	Power of attorney.	
27.1	Financial Data Schedule for the year ended December 31, 1999.	
27.2	Financial Data Schedule for the year ended December 31, 1998.	

27.3	Financial Data Schedule for the year ended December 31, 1997
99.1	Risk Factors and Cautionary Statements

Exhibit 10.17

DESCRIPTION OF NON-EMPLOYEE DIRECTORS
COMPENSATION ARRANGEMENTS

Directors who are employees of the Company do not receive compensation for their service on the Board other than their compensation as employees. During 1998, Directors who were not employees of the Company ("Independent Directors") each received a $50,000 annual board retainer, payable quarterly. An additional $12,500 annual committee retainer was paid to the chair of each committee and a $7,500 annual committee retainer was paid to each other member of a committee. Fees are not paid for attendance at meetings. In addition to the foregoing, Independent Directors may receive compensation for the performance of duties assigned by the Board or its Committees that are considered beyond the scope of the ordinary responsibilities of Directors or Committee members.

In November 1997, the Company adopted the Deluxe Corporation Non-Employee Stock and Deferral Plan (the "Director Plan"). The purpose of the Director Plan is to provide an opportunity for Independent Directors to increase their ownership of Common Stock and thereby align their interest in the long-term success of the Company with that of the Company's other shareholders. Under the Director Plan, each Independent Director may irrevocably elect to receive, in lieu of cash, shares of Common Stock having a fair market value equal to at least 50% of his or her annual board and committee retainer (collectively, the "Retainer"). The shares of Common Stock receivable pursuant to the Director Plan are issued quarterly or, at the option of the Independent Director, credited to the Director in the form of deferred restricted stock units. These units vest and are converted into shares of Common Stock on the earlier of the tenth anniversary of the February 1st of the year following the year in which the Independent Director ceases to serve on the Company's Board of Directors or such other date as is elected by the Independent Director in his or her deferral election.

Each restricted stock unit receives dividend equivalent payments equal to the dividend payment on one share of Common Stock. Any restricted stock units issued pursuant to the Director Plan will vest and be converted into shares of Common Stock in connection with certain defined changes in control of the Company. All shares of Common Stock issued pursuant to the Director Plan are issued under the Stock Incentive Plan and must be held by the Independent Director receiving them for a minimum period of six months from the date of issuance.

Each new Independent Director receives a one-time grant of 1,000 shares of restricted stock under the Stock Incentive Plan as of the date of his or her initial election to the Board of Directors. The restricted stock vests in equal installments on the dates of the Company's regular shareholders' meetings in each of the three years following the date of grant, provided that the Director remains in office immediately following the regular meeting. Restricted stock awards also vest immediately upon an Independent Director's retirement from the Board in accordance with the Company's policy with respect to mandatory retirement.

In 1997, each Independent Director elected at the 1997 Meeting received a non-qualified option to purchase 1,000 shares of the Company's Common Stock under the Stock Incentive Plan on the date of the 1997 Meeting. These options have an exercise price equal to the fair market value of the underlying Common Stock on the date of grant, became fully exercisable six months after the date of grant and will expire on the tenth anniversary of such date. The options also terminate three months following the date upon which a participant ceases to be a Director of the Company. This option program was discontinued in 1998.

Benefits under the Company's previous Board retirement plan were frozen following the adoption of the Director Plan. As a result, no additional benefits will be accrued for current Directors or be offered to newly elected Directors. Under the current provisions of the Board retirement plan, Independent Directors with at least five years of service as an Independent Director who resign or are not nominated for re-election will receive an annual payment equal to the annual Board retainer in effect on July 1, 1997 ($30,000 per year) for the number of years during which the retiree served on the Board as an Independent Director prior to October 31, 1997. In calculating a Director's eligibility for benefits under this plan, partial years of service are rounded up to the nearest whole number. Retirement payments do not extend beyond the lifetime of the retiree and are contingent upon the retiree's remaining available for consultation with management and refraining from engaging in any activity in competition with the Company. All of the current Independent Directors (other than Hatim Tyabji) are eligible for benefits under this plan. Allen F. Jacobson, who retired from the Board in January 1999, is entitled to receive benefits under this plan for up to seven years following his retirement and Whitney MacMillan, who retired from the Board in May 1999, will be eligible to receive benefits for up to 10 years following his retirement.

Exhibit 10.21

Rev. 10-28-99

AMENDMENT TO EXECUTIVE RETENTION AGREEMENT

This Amendment to Executive Retention Agreement ("Amendment") is made as of the 1st day of November, 1999, by and between Deluxe Corporation (the "Company") and John A. Blanchard III ("Executive").

WHEREAS, the Company and Executive entered into an Executive Retention Agreement dated January 9, 1998 which was intended to assure the Company of Executive's continued dedication notwithstanding the possibility, threat or occurrence of a Change of Control or Other Business Combination (as defined in the Executive Retention Agreement, hereinafter referred to as the "Retention Agreement"), all as provided in and subject to the provisions of the Retention Agreement;

WHEREAS, since entering the Retention Agreement, the Company has considered other strategic alternatives which may involve a spin off, split up or other similar strategy ("Strategic Alternative") which are not covered by the Retention Agreement;

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders to reduce the inevitable distractions associated with, and to assure the Company of the continued dedication of the Executive notwithstanding, the possible implementation of one of the Strategic Alternatives and has, therefore, caused the Company to enter this Amendment;

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive agree as follows:

1. The capitalized terms in this Amendment shall have the meanings ascribed to them in the Retention Agreement unless otherwise defined herein.

2. Section I.G.2 is hereby deleted in its entirety and replaced by the following provision:

   "(a) a sale, spin off, split up or other similar divestiture by the Company of all or a substantial portion of its non-check printing assets, business units and/or Affiliates (excluding those assets, business units and Affiliates that have been offered for sale prior to January 9, 1998), whether or not the Company receives consideration in connection therewith (the "Non-Check Printing Businesses"), or the sale, spin off, split up or other similar divestiture by the Company of all or a substantial portion of its check printing assets, business units and/or Affiliates, whether or not the Company receives consideration in connection therewith (the "Non-Check Printing Businesses") or (b) the creation and public issuance of any class of Company securities that is intended to track the assets, business or performance of the Check

   Printing Businesses or the Non-Check Printing Businesses, whether or not the Company receives consideration in connection with the issuance thereof or whether such publicly issued securities represent all or a portion of the Company's interest in the Check Printing Businesses or the Non-Check Printing Businesses."

3. Insert a new sentence at the end of Section IV.C.1., as follows:

   "For avoidance of doubt, the occurrence of an Other Business Combination described in clause (a) of Section I.G.2. shall constitute a diminution of Executive's position, authority, duties and responsibilities within the meaning of this Section, whether or not Executive is offered, accepts or continues employment by the Company, a purchaser or any entity resulting from or created by the Other Business Combination."

4. Insert the following at the end of Section III.B.2, as follows:

   "If the compensation plan under which Executive receives an Annual Incentive Payment permits the Executive to elect to receive other consideration (such as, for example, shares or units of the Company's common stock) in lieu of cash or to defer the receipt of any such payment (whether in cash or other form of consideration), and Executive makes the election to receive such consideration or to defer receipt of such payment, the Annual Incentive Payment herein shall be deemed to have been made at the time and to be equal to the amount of cash Executive would otherwise have received, had Executive not made such election. Any such amount shall also be included in the computation of the Recent Annual Incentive Payment."

5. Insert the following at the end of Section III. B.3:

"In order to prevent dilution of the benefits or potential benefits to Executive associated with stock-based compensation awards made to Executive prior to the Effective Date, the Company shall make the adjustments to the number of shares subject to the said stock-based awards and, if applicable, the exercise price thereof (which may include the issuance of new or replacement awards and/or awards involving the securities of any entity that results from a split-up, spin off or similar corporate division), contemplated by Section 4 (c) of the Deluxe Corporation Stock Incentive Plan, or any similar provision contained in a plan under which such stock-based compensation awards were made, or in the absence of a plan, or a similar provision in the plan under which such stock-based compensation awards were made, as if such provision had been included in the relevant award agreement or plan under which such stock-based compensation awards were made to Executive."

6. Insert a new Section V.A.3.(e), as follows:

"Unless Executive is provided the benefits described in clause (d) hereof, and if, and to the extent that, the number of shares and/or exercise price of stock based awards made to Executive have not previously been adjusted as provided in Section III. B.3.,

in order to prevent dilution of the benefits or potential benefits to Executive associated with stock-based compensation awards made to Executive, the Company shall make the adjustments to the number of shares subject to the said stock-based awards and, if applicable, the exercise price thereof (which may include the issuance of new or replacement awards and/or awards involving the securities of any entity that results from a split-up, spin off or similar corporate division), contemplated by Section 4 (c) of the Deluxe Corporation Stock Incentive Plan, or any similar provision contained in a plan under which such stock-based compensation awards were made, or in the absence of a plan, or a similar provision in the plan under which such stock-based compensation awards were made, as if such provision had been included in the relevant award agreement or plan under which such stock-based compensation awards were made to Executive. If Executive is compensated under the provisions of clause (d) hereof, in determining the economic equivalent value therein provided, the Company shall take into account the adjustments herein described."

7. Delete the words "without adjustment in the case of death or Disability" appearing in the last sentence of Section V.A.1.(c).

8. The last sentence of Section VIII.A. is hereby deleted in its entirety and replaced by the following provision:

"For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made (determined by giving affect to the maximum loss of itemized deductions that could be suffered by the Executive by virtue of his receipt of the Gross-Up Payment) and state and local income taxes at the highest marginal rate of taxation in the state and locality of Executive's residence on the Date of Termination (or if there is no Date of Termination, then the date on which the Gross-Up Payment is calculated for purposes of this Section VIII.A.), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes."

9. This Amendment shall be retroactive, taking effect as of the date of the Retention Agreement, and, except as modified herein, the Retention Agreement shall continue in full force and effect in accordance with the terms thereof.

IN WITNESS WHEREOF, that parties hereto have executed this Amendment as of the day and year first above written.

DELUXE CORPORATION Executive

By: /s/ John H. LeFevre

John H. LeFevre
Title: General Counsel

/s/ John A. Blanchard III

John A. Blanchard III

Exhibit 10.22

SCHEDULE IDENTIFYING OTHER
AMENDMENTS TO EXECUTIVE RETENTION AGREEMENTS
OMITTED FROM THIS REPORT ON FORM 10-K

The Registrant has also entered into Amendments to its Executive Retention Agreements with John H. LeFevre, Morris Goodwin Jr., Thomas W. VanHimbergen and Lawrence J. Mosner. Apart from the names of the parties thereto these amendments are substantially identical to the Amendment to the Executive Retention Agreement with John A. Blanchard, a copy of which was filed as Exhibit 10.21 to this Annual Report on Form 10-K.

EXHIBIT 10.23

DELUXE CORPORATION
2000
EMPLOYEE STOCK PURCHASE PLAN
(AS AMENDED MARCH 29, 2000)

SECTION 1. CERTAIN DEFINITIONS.

1.01. PLAN. The term "Plan" shall mean the Employee Stock Purchase Plan, the terms and provisions of which are set forth herein.

1.02. COMPANY. The term "company" shall mean Deluxe Corporation.

1.03. SHARES. The term "Shares" shall mean the $1 par value Common Shares of the company.

1.04. PARTICIPANT. The term "Participant" shall mean a Full-Time Employee of the company or of its Participating Subsidiaries, who is eligible to participate in the Plan and who has elected to participate in the manner set forth in the Plan.

1.05. CURRENT COMPENSATION. The term "Current Compensation" shall mean all regular wage, salary, and commission payments (including periodic sales commission bonuses) paid by the company to a Participant in accordance with the terms of his employment, including payments made to him under the short term disability or paid time off plan of the company or subsidiary of which the Participant is an employee in effect at the applicable time, but excluding all overtime earnings, bonus and other incentive payments and awards, and all other forms of extra compensation.

1.06. QUARTER DATE. The term "Quarter Date" shall mean the first business day of each February, May, August, and November, commencing with the effective date of the Plan and ending with the last such date during the term of this Plan, a "business" day being, for this purpose, a trading day on the New York Stock Exchange.

1.07. FULL-TIME EMPLOYEE. The term "Full-Time Employee" means, with respect to employees of the company, all employees (including officers and directors who are also employees of the company) who are employed on a full-time basis and whose regularly scheduled work week consists of (i) prior to May 1, 2000, at least forty (40) hours and (ii) from and after May 1, 2000 at least thirty-two (32) hours.With respect to employees of subsidiaries, "Full-Time Employee" means employees who are considered full-time employees under the employment policies of their company. "Full-Time Employees" does not include seasonal or temporary employees or independent contractors.

1.08. STOCK PURCHASE ACCOUNT. The term "Stock Purchase Account" means a current bookkeeping record maintained by the company of cumulative payroll deductions made from the Current Compensation of each Participant in the Plan as reduced by amounts applied toward the purchase of Shares under the Plan.

1.09. PARTICIPATING SUBSIDIARIES. The term "Participating Subsidiaries" shall mean each subsidiary of the company that is not an Excluded Subsidiary.

1.10. EXCLUDED SUBSIDIARY. The term "Excluded Subsidiary" shall mean those subsidiaries of the company that are designated as such by the Plan Administrator.

1.11. PLAN ADMINISTRATOR. The term "Plan Administrator" shall mean the board of directors of the company or any committee appointed by such board.

SECTION 2. ELIGIBLE EMPLOYEES AND ELECTION TO PARTICIPATE.

2.01. Each Full-Time Employee of the company and its Participating Subsidiaries shall be eligible to participate in the Plan commencing with the Quarter Date on which, or next following, the date on which he or she completes twelve (12) consecutive months of employment with the company or its subsidiaries, provided that an approved leave of absence shall not be deemed to terminate an employee's continuous employment. Notwithstanding the foregoing, no employee shall be granted any right to purchase Shares hereunder if such employee, immediately after such a right to purchase is granted, would own, directly or indirectly, within the meaning of Section 423(b)(3) and Section 424(d) of the Internal Revenue Code of 1986, as amended, Shares possessing five percent (5%) or more of the total combined voting power or value of all the classes of the capital stock of the company or of all of its affiliates.

2.02. An eligible employee may elect to participate in the Plan by completing a form known as "Payroll Deduction Authorization," which authorizes regular payroll deduction from the employee's Current Compensation, beginning with the first payroll period ending after a Quarter Date, provided the authorization is received by the company's Employee Services Department at least fifteen days prior to each Quarter Date. Payroll deductions shall continue until the employee withdraws or ceases to be eligible to participate in the Plan.

2.03. Employees of an Excluded Subsidiary shall not be eligible to participate in the Plan unless and until they transfer employment to the company or a Participating Subsidiary or the Plan Administrator should redesignate the Excluded Subsidiary as a Participating Subsidiary. In any such event, the period during which an employee was employed by the Excluded Subsidiary shall, unless otherwise determined by the Plan Administrator, be treated as employment by the company or a Participating Subsidiary for purposes of determining the employee's eligibility under Section 2.01 to participate in the Plan following such transfer or redesignation.

SECTION 3. PAYROLL DEDUCTIONS AND STOCK PURCHASE ACCOUNT.

3.01. A Participant may elect payroll deductions of any multiple of one percent not less than three percent nor more than ten percent of his Current Compensation. A Participant may, at any time, but only once in any twelve-month period, increase or reduce the percentage of his or her payroll deduction within the foregoing limitations by filing a "Notice of Change," such change to become effective with the first payroll period commencing on or after the receipt of the Notice of Change by the company's Employee Services Department.

3.02. Payroll deductions shall be credited currently to the Participant's Stock Purchase Account. A Participant may not make any separate cash payment into his Stock Purchase Account.

3.03. No interest will be paid upon payroll deductions or upon any amount credited to, or on deposit in, an employee's Stock Purchase Account.

SECTION 4. PURCHASE OF SHARES.

4.01. On each Quarter Date, each Participant shall automatically have purchased for him that number of whole Shares, not less than two, as can be purchased with the amount in his or her Stock Purchase Account on such Quarter Date.

4.02. The per-Share purchase price of Shares purchased shall be seventy-five percent (75%) of the fair market value of the Shares on the Quarter Date, rounded up to the next higher full cent. The fair market value on any day means the closing price of the Shares on the New York Stock Exchange on such day as reported by the WALL STREET JOURNAL, MIDWEST EDITION.

SECTION 5. STOCK PURCHASE ACCOUNT BALANCE.

5.01. Any funds remaining in a Participant's Stock Purchase Account after the purchase of Shares on a Quarter Date shall remain in his or her Stock Purchase Account and be applied toward the purchase of Shares on the next Quarter Date, unless the Participant withdraws from the Plan.

SECTION 6. WITHDRAWAL FROM THE PLAN.

6.01. A Participant may, at any time, by written notice to the Employee Services Department, withdraw from the Plan and cease making any further payroll deductions. In such event, the company shall refund, within thirty (30) days, the entire balance, if any, in the employee's Stock Purchase Account. Once an employee withdraws from the Plan, or his or her employment is terminated, the employee shall not be eligible to re-enter the Plan for a period of twelve (12) months. For purposes of the foregoing sentence, a transfer of an employee to an Excluded Subsidiary or a designation of such employee's employer as an Excluded Subsidiary shall not be deemed a termination of employment requiring the employee to accrue an additional year of service time in the event the employee thereafter transfers to a Participating Subsidiary or the designation of such employee's employer is subsequently changed to a Participating Subsidiary.

6.02. Participation in the Plan shall cease upon the date of a Participant's termination of employment, death, transfer to other than full-time status, transfer to an Excluded Subsidiary or a change in the designation of a Participant's employer to an Excluded Subsidiary; and any amounts theretofore credited to the individual's Stock Purchase Account shall be refunded within thirty (30) days to the former Participant or to his or her estate; provided that if during their lifetime a Participant has delivered to the Employee Services Department a notice in writing, upon a form furnished by the company, to pay such amount in the event of the Participant's death to a specified person or persons, such amount in the event of the Participant's death, shall be refunded to such person or persons whose designation as aforesaid has not been revoked by the Participant during his or her lifetime. An approved leave of absence shall not be deemed a termination of employment for purposes of this section.

SECTION 7. TRANSFERABILITY.

7.01. Stock purchase benefits granted hereunder may not be assigned, transferred, pledged, or hypothecated (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation, or other disposition or levy of attachment or similar process upon the stock purchase benefits shall be null and void and without effect.

7.02. The funds accumulated in a Stock Purchase Account may not be assigned, transferred, pledged or hypothecated in any way, and any attempted assignment, transfer, pledge, hypothecation or other disposition of the funds accumulated in the Stock Purchase Account shall be null and void and without effect.

7.03. The Plan Administrator may, from time to time, establish or modify minimum required holding periods for Shares purchased by Participants under the Plan and, in connection therewith, may establish such rules and regulations as it determines to be necessary or appropriate for the administration of such minimum holding periods, including, without limiting the generality of the authority herein, by requiring that the Shares issued under the Plan be restricted or bear a legend against transfer or by requiring periodic certifications by Participants concerning compliance with such minimum required holding periods, provided that the establishment of or any change to any minimum required holding period shall be made effective on a Quarter Date and that notice thereof shall be given to Participants on or before the commencement of the calendar quarter ending on such Quarter Date by such means as the Plan Administrator determines to be appropriate in the circumstances. The failure of a Participant to receive any such notice shall not affect the establishment of any such minimum holding period or any change thereto with respect to that or any other Participant.

SECTION 8. SHARE CERTIFICATES.

8.01. Shares purchased under the Plan may be originally issued in certificated or uncertificated form, as determined by the Plan Administrator. Shares issued under the Plan may contain restrictions against transfer (including applicable legends to that effect) as provided in Section 7.03.

8.02. The company shall not be required to issue or deliver any Shares purchased prior to registration under the Securities Act of 1933 or registration or qualification under any state law if such registration is required. The company will use its best efforts to accomplish such registration, if and to the extent required or determined desirable, not later than a reasonable time following a Quarter Date, and issuance of Shares may be deferred until such registration is accomplished.

8.03. An employee shall have no interest in the Shares purchased until a Share certificate representing the same is issued or an appropriate book-entry is made with the transfer agent reflecting such purchase

8.04. The Share certificates or book-entries representing Shares issued under the Plan shall be registered in the name of the Participant or jointly in the name of the Participant and another person, as the Participant may direct.

SECTION 9. EFFECTIVE DATE AND AMENDMENT OR TERMINATION OF PLAN.

9.01. The Plan shall become effective on the date fixed by the board of directors of the company; provided, however, that the date fixed by the board of directors as the effective date of the Plan shall coincide with a Quarter Date.

9.02. The board of directors of the company may at any time terminate or amend the Plan.

9.03. The Plan shall automatically terminate on the fifth (5th) anniversary date of the Quarter Date it became effective (or next ensuing business day, as the case may be).

SECTION 10. STOCK PLAN COMMITTEE.

10.01. In administering the Plan, it will be necessary to follow various laws and regulations. It may be necessary from time to time to change or waive requirements of the Plan to conform with law, to meet special circumstances not anticipated or covered in the Plan, or to carry on successful operations of the Plan. Therefore, the company reserves the right, exercisable by the Plan Administrator, to make variations in the provisions of the Plan for such purposes and to determine any questions which may arise regarding interpretation and application of the provisions of the Plan. The determination of the Plan Administrator as to the interpretation and operation of the Plan shall be final and conclusive, provided that any such determination by a committee appointed by the board of directors of the company shall be subject to review by such board.

SECTION 11. STOCK DIVIDEND OR RECLASSIFICATION, MERGER, OR CONSOLIDATION.

11.01. Upon the payment of any stock dividend or reclassification by way of split-up in the number of Shares of the company, the total number of Shares authorized by Section 12 to be sold under the Plan shall be adjusted accordingly.

11.02. If the company is merged into or consolidated with one or more corporations during the Plan, appropriate adjustments shall be made to give effect thereto on a equitable basis in terms of issuance of Shares of the corporation surviving the merger or of the consolidated corporation, as the case may be.

SECTION 12. SHARES TO BE SOLD.

12.01. The number of Shares authorized to be sold under the Plan during the current renewal period, which commences February 1, 2000, shall not exceed 5 million.

SECTION 13. NOTICES.

13.01. Notices to the company pertaining to the Plan may be addressed as follows:

Deluxe Corporation
Attention: Employee Benefits Department
Post Office Box 64235
St. Paul, MN 55164-0235

Exhibit 12.4

DELUXE CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<TABLE>
<CAPTION>

	Years Ended December 31,						
	1999	1998	1997	1996	1995	1994	1993
Earnings							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Income from Continuing Operations before Income Taxes	$324,655	$242,915	$115,150	$118,765	$169,319	$246,706	$235,913
Interest expense (excluding capitalized interest)	8,506	8,273	8,822	10,649	13,099	9,733	10,070
Portion of rent expense under long-term operating leases representative of an interest factor	14,640	15,126	13,621	13,467	14,761	13,554	13,259
Amortization of debt expense	263	122	122	121	84	84	84
TOTAL EARNINGS	$348,064	$266,436	$137,715	$143,002	$197,262	$270,077	$259,326
Fixed charges							
Interest Expense (including capitalized interest)	9,479	9,664	$ 9,742	$ 11,978	$ 14,714	$ 10,492	$ 10,555
Portion of rent expense under long-term operating leases representative of an interest factor	14,640	15,126	13,621	13,467	14,761	13,554	13,259
Amortization of debt expense	263	122	122	121	84	84	84
TOTAL FIXED CHARGES	$ 24,382	$ 24,912	$ 23,485	$ 25,566	$ 29,559	$ 24,130	$ 23,898
RATIO OF EARNINGS TO FIXED CHARGES:	14.3	10.7	5.9	5.6	6.7	11.2	10.9

</TABLE>

Exhibit 21.1

DELUXE CORPORATION SUBSIDIARIES

Chex Systems, Inc. (Minnesota)
Deluxe Analytic Research Technologies, Inc. (Minnesota)
Designer Checks Inc. (Alabama)
Direct Checks Unlimited, Inc. (Colorado)
Deluxe Electronic Payment Systems Canada, Inc. (Canada)
DLX Check Printers, Inc. (Minnesota)
DLX Check Texas, Inc. (Minnesota)
eFunds Holding Ltd. (United Kingdom)
eFunds Corporation (Delaware)
Deluxe Financial Services, Inc. (Minnesota)
Deluxe Financial Services Texas, L.P. (Texas)
iDLX Corporation (Delaware)
iDLX International B.V. (Netherlands)
Deluxe Mexicana S.A. de C.V. (Mexico) (50% owned)
Deluxe Overseas, Inc. (Minnesota)
Deluxe Payment Protection Systems, Inc. (Delaware)
eFunds International Limited (United Kingdom)
eFunds Corporation (California)
iDLX Holdings N.V. (Netherlands)
iDLX Technology Partners, Inc. (Delaware)
iDLX Technology Partners Private Limited (India)
PPS Holding Company, Inc. (Minnesota)
PPS Services 1 Inc. (Minnesota)
PPS Services 2 Inc. (Minnesota)
Paper Payment Services LLC (Minnesota)

Exhibit 24.1

POWER OF ATTORNEY

Each of the undersigned directors and officers of DELUXE CORPORATION, a Minnesota corporation, hereby constitutes and appoints John A. Blanchard III, Thomas W. VanHimbergen, Lois M. Martin and John H. LeFevre his true and lawful attorneys-in-fact, and each of them, with full power to act without the other, to sign the Company's annual report on Form 10-K for the year ended December 31, 1999, and any and all amendments to such report, and to file the same and any such amendment, with any exhibits, and any other documents required in connection with such filing, with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934.

	Date
/s/ John A. Blanchard III	3/17/00
John A. Blanchard III, Director and Principal Executive Officer	
/s/ Thomas W. VanHimbergen	3/17/00
Thomas W. VanHimbergen, Principal Financial Officer and Principal Accounting Officer	
/s/ Lawrence J. Mosner	3/17/00
Lawrence J. Mosner, Director	
/s/ James J. Renier	3/17/00
James J. Renier, Director	
/s/ Barbara B. Grogan	3/17/00
Barbara B. Grogan, Director	
/s/ Stephen P. Nachtsheim	3/17/00
Stephen P. Nachtsheim, Director	
/s/ Calvin W. Aurand, Jr.	3/17/00
Calvin W. Aurand, Jr., Director	
/s/ Donald R. Hollis	March 17, 2000
Donald R. Hollis, Director	
/s/ Robert C. Salipante	3/17/00
Robert C. Salipante, Director	
/s/ Jack Robinson	3/17/00
Jack Robinson, Director	
/s/ Hatim A. Tyabji	3-17-2000
Hatim A. Tyabji, Director	

Exhibit 99.1

RISK FACTORS AND CAUTIONARY STATEMENTS

When used in this Annual Report on Form 10-K and in future filings by the Company with the Securities and Exchange Commission (the "Commission"), in the Company's press releases, letters to shareholders and in oral statements made by the Company's representatives, the words or phrases "should result," "are expected to," "targeted," "will continue," "will approximate," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are necessarily subject to certain risks and uncertainties, including those discussed below, that could cause actual results to differ materially from the Company's historical experience and its present expectations or projections. Caution should be taken not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The factors listed below could affect the Company's financial performance and could cause the Company's actual results for future periods to differ from any opinions or statements expressed with respect thereto. Such differences could be material and adverse.

The Company will not undertake and specifically declines any obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances occurring after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. This discussion supersedes the discussion in the Company's current Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.

Earnings Estimates; Cost Reductions. From time to time, representatives of the Company may make predictions or forecasts regarding the Company's future results, including estimated earnings or earnings from operations. Any forecast, including the Company's current statements that it expects to achieve a minimum of 11 percent annual growth in earnings in 2000, and that it has a target of generating cumulative EBITDA (earnings before interest, income taxes, depreciation and amortization) in excess of $2.3 billion over the next five years, regarding the Company's future performance reflects various assumptions. These assumptions are subject to significant uncertainties, and, as a matter of course, many of them will prove to be incorrect. Further, the achievement of any forecast depends on numerous factors (including those described in this discussion), many of which are beyond the Company's control. In addition, it is not expected that the earnings growth projected for 2000 will be representative of results that may be achieved in subsequent years.

As a result, there can be no assurance that the Company's performance will be consistent with any management forecasts or that the variation from such forecasts will not be material and adverse. Investors are cautioned not to base their entire analysis of the Company's business and prospects upon isolated predictions, but instead are encouraged to utilize the entire available mix of historical and forward-looking information made available by the Company, and other information affecting the Company and its products, when evaluating the Company's prospective results of operations.

In addition, representatives of the Company may occasionally comment on the perceived reasonableness of published reports by independent analysts regarding the Company's projected future performance. Such comments should not be interpreted as an endorsement or adoption of any given estimate or range of estimates or the assumptions and methodologies upon which such estimates are based. Generally speaking the Company does not make public its own internal projections, budgets or estimates. Undue reliance should not be placed on any comments regarding the conformity, or lack thereof, of any independent estimates with the Company's own present expectations regarding its future results of operations. The methodologies employed by the Company in arriving at its own internal projections and the approaches taken by independent analysts in making their estimates are likely different in many significant respects. Although the Company may presently perceive a given estimate to be reasonable, changes in the Company's business, market conditions or the general economic climate may have varying effects on the results obtained through the use of differing analyses and assumptions. The Company expressly disclaims any continuing responsibility to advise analysts or the public markets of its view regarding the current accuracy of the published estimates of outside analysts. Persons relying on such estimates should pursue their own independent investigation and analysis of their accuracy and the reasonableness of the assumptions on which they are based.

Recent Strategic Initiatives. The Company has recently announced the creation of Electronic Payment Solutions, a new business unit comprised of eFunds Corporation (f/k/a Deluxe Electronic Payment Systems, Inc.), Debit Bureau(SM), Chex Systems, Inc., Deluxe Payment Protection Systems, Inc. and a check conversion company that it purchased in February 1999. It is hoped that combining these businesses into a single business unit will increase their opportunities for revenue and profit growth. The Company has also announced an intention to transfer certain resources and responsibilities from its corporate group to its operating units in an effort to enable them to more efficiently respond to market opportunities and conditions. The precise benefits, if any, that may result from these initiatives cannot presently be quantified. Further, accomplishing the goals of the reorganization is dependent upon identifying and developing new products and services, some or all of which may be directed at markets not now served by the Company. The successful execution of this strategy is also dependant upon identifying and retaining personnel and third parties with the expertise needed to develop and implement the Company's strategic initiatives. Portions of the initiative may also involve identifying and reaching agreements with strategic alliance partners and acquisition targets. Unexpected delays are common in endeavors of this type and can arise from a variety of sources, many of which will likely have been unanticipated. The likelihood that the reorganization will achieve its goal of incrementally increasing the revenues and profits of the businesses included in this business unit must be considered in light of the problems, expenses, complications and delays frequently encountered in connection with the development and execution of new business initiatives and the competitive, rapidly changing environment in which this business will operate. As a result, although the Company

has set annual revenue growth targets for this business unit at 20 percent for the years 2000 and 2001, and hopes to achieve higher levels of growth in subsequent years, there can be no assurance that these targets will in fact be achieved. In addition, the implementation of these initiatives could lead to a restructuring charge in an amount that, although not yet quantified, may be material.

In January 2000, the Company announced that its Board of Directors approved a plan to combine its Electronic Payment Solutions, Professional Services and Government Services segments into a separate company to be called eFunds Corporation ("eFunds") and that eFunds plans to issue shares of its common stock to the public through an initial public offering. Unanticipated delays and disruptions are common with regard to endeavors of this type due to business or market developments, changes in the equity markets and other factors that are difficult or impossible for the Company to control. As a result, there can be no assurance that this initial public offering can be consummated in a timely manner, or at all.

Although it is under no obligations to do so, the Company has announced that, following any initial public offering by eFunds, it plans to distribute all of its shares of eFunds common stock to its shareholders who tender shares of the Company's common stock in an exchange offer (the "Split-Off). The Split-Off is contingent upon the Company receiving a favorable tax ruling from the Internal Revenue Service, and no assurance can be given that such a ruling will in fact be obtained.

Professional Services. There can be no assurance that the services proposed to be offered by the Company's Professional Services business unit will achieve market acceptance in either the United States or India. To date, the operations of this business unit have not been profitable. In addition, the Company has only limited operational experience in India. The successful development of Professional Services is subject to all of the risks inherent in the establishment of a new business enterprise, including the absence of an extended operating history, reliance on key personnel, a need to attract and retain qualified employees in a highly competitive labor market, a competitive environment characterized by numerous well-established and well-capitalized competitors and the risk that the reputation of the business could be more adversely affected by any customer service issues or problems than would be the case with a more established firm. Further, in developing Professional Services, the Company faces additional complexities arising from the maintenance of certain of its functions in India. In addition to the normal complications that arise in connection with the management of remote locations, operations in foreign countries are subject to numerous potential obstacles including, among other things, cultural differences, political unrest, export controls, governmental interference or regulation (both domestic and foreign), currency fluctuations, personnel issues and varying competitive conditions. There can be no assurance that one or more of these factors, or additional causes or influences, many of which are likely to have been unanticipated and beyond the ability of the Company to control, will not operate to inhibit the success of this business unit. As a result, there can be no assurance that this business unit will achieve its projected rate of growth or that this unit will ever generate significant revenues or profits or provide an adequate return on the Company's investment.

Debit Bureau(SM). The Company has announced its intention to offer decision support tools and information to retailers and financial institutions that offer or accept direct debit-based products, such as checking accounts, ATM cards, debit cards and Internet payments. To date, this effort has primarily been directed towards the creation of the supporting data warehouse and research regarding the utility and value of the data available to the Company for use in this area. There can be no assurance that the Company's Debit Bureau(SM) initiative will result in the introduction of a significant number of new products or services or that any new products or services introduced by the Company will generate revenues in material amounts. In any event, the continued development of Debit Bureau(SM) is expected to require a significant level of investment by the Company.

IDDA Initiative. The Company has recently announced a initiative to develop an Internet demand deposit account opening product. This product has only recently been introduced and there can be no assurance that the system will achieve widespread market acceptance or generate incremental revenues in material accounts. In addition, technological change occurs at a rapid pace in the Internet applications area, and there can be no assurance that competing products or systems will not be introduced that will narrow or limit the market for the Company's system or render it obsolete.

Share Repurchase Program. In April 1999, the Board of Directors of the Company authorized the repurchase of up to 10,000,000 shares of the Company's Common Stock. During 1999, the Company purchased 8,186,600 of the shares included in this authorization. The completion of this program is, however, dependant upon market conditions, including the availability of a sufficient number of shares at prices determined by management of the Company to be reasonable, the amount of cash available to the Company for this purpose and the Company's other investment opportunities. Accordingly, if appropriate conditions or circumstances do not prevail during the planned repurchase period, the Company will not purchase the entire allotment of shares authorized by the Board.

Timing and Amount of Anticipated Cost Reductions. With regard to the results of the Company's ongoing cost reduction efforts (including the Company's current review of its SG&A expense levels), there can be no assurance that the projected annual cost savings will be fully realized or will be achieved within the time periods expected. The Company has previously experienced unanticipated delays in the planned roll-out of its on-line ordering system and Year 2000 moratoriums by the Company's customers have delayed the Company's original schedule for transferring customers to this system. There can be no assurances that additional sources of delays will not be encountered. Any such event could adversely affect the expected productivity improvements and delay the realization or reduce the amount of the anticipated expense reductions.

In addition, the achievement of the targeted level of cost savings is dependent upon the successful execution of a variety of other cost reduction strategies throughout the Company's operations. These additional efforts include the consolidation of the Company's purchasing process and certain administrative and sales support

organizations, headcount reductions and other efforts. The optimum means of realizing many of these strategies is being evaluated by the Company in view of the Company's recent efforts to transfer certain resources and responsibilities from its corporate group to its operating units. The goodwill amortization associated with the Company's recent acquisitions of eFunds (Tustin), Designer Checks and the remaining 50 percent ownership interest in its joint venture with HCL Corporation of India, as well as any future acquisitions, may also act to offset some of the benefits sought to be achieved through this program. Unexpected delays, complicating factors and other hindrances are common in the implementation of these types of endeavors and can arise from a variety of sources, some of which are likely to have been unanticipated. The Company may also incur additional charges against its earnings in connection with future programs. A failure to timely achieve one or more of the Company's primary cost reduction objectives could materially reduce the benefit to the Company of its cost savings programs and strategies or substantially delay the full realization of their expected benefits.

Further, there can be no assurance that increased expenses attributable to other areas of the Company's operations or to increases in raw material, labor, equipment or other costs will not offset some or all of the savings expected to be achieved through the cost reduction efforts. Competitive pressures and other market factors may also require the Company to share the benefit of some or all of any savings with its customers or otherwise adversely affect the prices it receives or the market for its products. As a result, even if the expected cost reductions are fully achieved in a timely manner, such reductions are not likely to be fully reflected by commensurate gains in the Company's net income, cash position, dividend rate or the price of its Common Stock.

Other Dispositions and Acquisitions. In connection with its ongoing restructuring and growth initiatives, the Company may also consider divesting or discontinuing the operations of various business units and assets and the Company may undertake one or more significant acquisitions. Any such divestiture or discontinuance could result in write offs by the Company, some or all of which could be significant. In addition, a significant acquisition could result in future earnings dilution for the Company's shareholders. Acquisitions accounted for as a purchase transaction could also adversely affect the

Company's reported future earnings due to the amortization of the goodwill and other intangibles associated with the purchase.

Consumer Privacy Protection. Laws and regulations relating to consumer privacy protection could harm the Company's ability to collect and use data, increase its operating costs or otherwise harm its business. There is an increasing public concern over consumer privacy rights. The Congress and state legislatures have adopted and are considering adopting laws and regulations restricting the purchase, sale and sharing of personal information about consumers. The new federal financial modernization law, known as the Gramm-Leach-Bliley Act, imposes significant new consumer information privacy requirements on a wide range of companies. The Gramm-Leach-Bliley Act requires covered companies to develop and implement policies to protect the security and confidentiality of consumers' nonpublic information and to disclose those policies

to consumers before a customer relationship is established and annually thereafter. The Gramm-Leach-Bliley Act also mandates government agencies to issue standards to implement these requirements. The Company's eFunds business unit could experience increased costs in order to comply with any new standards. In addition, the Gramm-Leach-Bliley Act requires covered companies to give an opt-out notice to consumers before sharing consumer information with third parties. The opt-out notice requirement is subject to several exceptions, which the Company believes apply to its business, thereby allowing banks to continue to provide nonpublic personal information to it. It is possible that new state or federal legislation or regulations could restrict or prohibit the Company's ability to collect and use some types of consumer information, which could have an adverse effect on its business.

Competition. Although the Company believes it is the leading check printer in the United States, it faces considerable competition from other smaller companies in both its traditional sales channel to financial institutions and from direct mail sellers of checks. From time to time, one or more of these competitors reduce the prices of their products in an attempt to gain volume. The corresponding pricing pressure placed on the Company has resulted in reduced profit margins for the Company's check printing business in the past and similar pressures can reasonably be expected in the future. The Company has also experienced some loss of business due to its refusal to meet competitive prices that fell below the Company's revenue and profitability per unit targets. The timing and amount of reduced revenues and profits that may result from these competitive pressures is not ascertainable.

Check printing is, and is expected to continue to be, an essential part of the Company's business and the principal source of its operating income for at least the next several years. A wide variety of alternative payment delivery systems, including credit cards, debit cards, smart cards, ATM machines, direct deposit, electronic and other bill paying services, home banking applications and Internet-based payment services, are in various stages of maturity or development and additional systems will likely be introduced. The Company believes that there will continue to be a substantial market for checks for the foreseeable future, although a reduction in the volume of checks used by consumers is expected. The rate and the extent to which alternative payment methods will achieve consumer acceptance and replace checks cannot, however, be predicted with certainty. A surge in the popularity of any of these alternative payment methods could have a material, adverse effect on the demand for the Company's primary products and its account verification and payment protection services. Although the Company believes that its recent acquisition of an electronic check conversion company may contribute to the continued viability of the paper check as a payment mechanism by accelerating processing times and reducing processing costs, there can be no assurance that the check conversion technology developed by this new subsidiary and its competitors will achieve widespread acceptance or have a measurable impact on the sales volume of the Company's principal products.

The introduction of the alternative payment methodologies described above has also resulted in an increased interest by third parties in transaction processing, authorization

and verification, as well as other methods of effecting electronic payments, as a source of revenue. This increased interest level has led to increased competition for the Company's transaction processing and authorization businesses. The payment processing industry is characterized by continuously evolving technology and intense competition. Many participants in the industry have substantially greater capital resources and research and development capabilities than the Company. There can be no assurance that the Company's competitors and potential competitors will not succeed in developing and marketing technologies, services or products that are more accepted in the marketplace than those offered or envisioned by the Company. Such a development could result in the loss of significant customers by the Company's eFunds business unit, render the Company's technology and proposed products obsolete or noncompetitive or otherwise materially hinder the achievement of the growth targets established for this business unit. Initiatives that may be undertaken by the Company in connection with Internet commerce-based activities would be particularly susceptible to these types of competitive risks and the rapid development and deployment of Internet technologies, products and services may present unanticipated competitive risks to the Company's current business that may be material and adverse.

Effect of Financial Institution Consolidation. Recent consolidation within the banking industry has resulted in increased competition and consequent pressure on check prices. This concentration greatly increases the importance to the Company of retaining its major customers and attracting significant additional customers in an increasingly competitive environment. Although the Company devotes considerable efforts towards the development of a competitively priced, high quality suite of products for the financial services industry, there can be no assurance that significant customers will not be lost or that any such loss can be counterbalanced through the addition of new customers or by expanded sales to the Company's remaining customers.

Revised Analytic Approach. The Company has announced that it is applying a new methodology for evaluating the Company's projected return on various forms of investment. The use of this methodology represents a revised analytic approach by the Company and the long-term benefits to be derived therefrom cannot presently be precisely determined.

Raw Material, Postage Costs and Delivery Costs. Increases in the price of paper and the cost of postage can adversely affect the profitability of the Company's printing and mail order businesses. Events such as the 1997 UPS strike can also adversely impact the Company's margins by imposing higher delivery costs. Competitive pressures and overall trends in the marketplace may have the effect of inhibiting the Company's ability to reflect increased costs of production or delivery in the prices of its products.

Limited Source of Supply. The Company's check printing business utilizes a paper printing plate material that is available from only a limited number of sources. The Company believes it has a reliable source of supply for this material and that it maintains an inventory sufficient to avoid any production disruptions in the event of an interruption of its supply. In the event, however, that the Company's current supplier becomes unwilling or unable to supply the required printing plate material at an acceptable price and the Company is unable to locate a suitable alternative source within a reasonable time frame, the Company would be forced to convert its facilities to an alternative printing process. Any such conversion would require the unanticipated investment of significant sums and there can be no assurance that the conversion could be accomplished without production delays.

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