

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For quarterly period ending September 30, 2000

or

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

For the transition period from _____ to _____

Commission file number: 1-7945

DELUXE CORPORATION

(Exact name of registrant as specified in its charter)

MINNESOTA

41-0216800

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

3680 Victoria St., N. Shoreview, Minnesota

55126-2966

(Address of principal executive offices)

(Zip Code)

(651) 483-7111

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The number of shares outstanding of registrant's common stock, par value \$1.00 per share, at October 26, 2000 was 72,555,533.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

<TABLE>
<CAPTION>

	September 30, 2000 (Unaudited)	December 31, 1999
	-----	-----
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	\$ 111,666	\$ 140,465
Time deposit subject to compensating balance arrangement	10,000	--

Restricted custodial cash	4,837	3,429
Marketable securities	43,475	25,713
Trade accounts receivable, net of allowance for doubtful accounts of \$4,246 and \$5,814, respectively	131,330	115,775
Inventories:		
Raw material	2,803	3,110
Semi-finished goods	6,660	7,245
Finished goods	1,052	1,261
Supplies	13,158	15,007
Deferred advertising	10,894	17,189
Deferred income taxes	19,108	14,206
Prepaid expenses and other current assets	37,971	75,349
	-----	-----
Total current assets	392,954	418,749
	-----	-----
LONG-TERM INVESTMENTS	65,267	40,846
RESTRICTED CASH	27,913	28,939
PROPERTY, PLANT AND EQUIPMENT		
Land and land improvements	39,695	41,157
Buildings and building improvements	158,241	165,028
Machinery and equipment	416,076	448,445
	-----	-----
Total	614,012	654,630
Less accumulated depreciation	361,560	359,845
	-----	-----
Property, plant, and equipment - net	252,452	294,785
INTANGIBLES		
Cost in excess of net assets acquired - net	138,585	51,705
Internal use software - net	174,693	142,465
Other intangible assets - net	15,294	15,154
	-----	-----
Total intangibles	328,572	209,324
	-----	-----
Total assets	\$ 1,067,158	\$ 992,643
	=====	=====

</TABLE>

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DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

<TABLE>

<CAPTION>

	September 30, 2000 (Unaudited)	December 31, 1999
	-----	-----
	<C>	<C>
<S>		
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 59,397	\$ 60,876
Accrued liabilities:		
Wages, including vacation pay	54,040	54,228
Employee profit sharing and pension	23,775	33,490
Accrued income taxes	44,576	28,405
Accrued rebates	27,158	28,281
Accrued contract losses	26,459	20,599
Other	89,474	111,330
Short-term debt	29,941	63,100
Long-term debt due within one year	102,802	4,357
	-----	-----
Total current liabilities	457,622	404,666
	-----	-----
LONG-TERM DEBT	12,770	115,542
DEFERRED INCOME TAXES	46,623	46,322
OTHER LONG-TERM LIABILITIES	9,183	8,805
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY	34,435	--
SHAREHOLDERS' EQUITY		
Common shares - \$1 par value (authorized 500,000,000 shares; issued: 2000 - 72,451,816 shares; 1999 - 72,019,898 shares)	72,452	72,020
Additional paid-in capital	41,997	--
Retained earnings	393,777	346,617
Unearned compensation	--	(47)
Accumulated other comprehensive income	(1,701)	(1,282)
	-----	-----
Shareholders' equity	506,525	417,308
	-----	-----
Total liabilities and shareholders' equity	\$ 1,067,158	\$ 992,643
	=====	=====

</TABLE>

See Notes to Unaudited Consolidated Financial Statements

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DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Thousands, Except per Share Amounts)
(Unaudited)

<TABLE>
<CAPTION>

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
NET SALES	\$ 404,947	\$ 417,114	\$ 1,216,129	\$ 1,239,033
Cost of sales	175,179	187,453	527,072	557,791
GROSS MARGIN	229,768	229,661	689,057	681,242
Selling, general and administrative expense	152,543	156,296	478,462	452,718
Income from operations	77,225	73,365	210,595	228,524
OTHER INCOME (EXPENSE)				
Minority interest in subsidiary earnings	(470)	--	(470)	--
Interest expense	(3,206)	(2,164)	(10,455)	(5,623)
Other income	5,486	6,483	6,025	10,606
INCOME BEFORE INCOME TAXES	79,035	77,684	205,695	233,507
PROVISION FOR INCOME TAXES	29,638	28,627	77,136	88,638
NET INCOME	\$ 49,397	\$ 49,057	\$ 128,559	\$ 144,869
NET INCOME PER SHARE - BASIC	\$ 0.68	\$ 0.65	\$ 1.78	\$ 1.86
NET INCOME PER SHARE - DILUTED	\$ 0.68	\$ 0.65	\$ 1.78	\$ 1.85
CASH DIVIDENDS PER COMMON SHARE	\$ 0.37	\$ 0.37	\$ 1.11	\$ 1.11

</TABLE>

See Notes to Unaudited Consolidated Financial Statements

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DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Nine Months Ended September 30,	
	2000	1999
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 128,559	\$ 144,869
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	33,248	41,026
Amortization of intangibles	37,078	20,785
Asset impairment charges	--	267
Stock purchase discount	2,184	3,640
Minority interest in earnings of subsidiary	470	--
Deferred income tax	(4,797)	--
Changes in assets and liabilities, net of effects from acquisitions and sales of businesses:		
Restricted cash	(382)	(19,747)
Trade accounts receivable	(14,965)	10,321

Inventories	2,124	2,559
Accounts payable	(1,805)	2,757
Other assets and liabilities	11,053	(67,508)
Net cash provided by operating activities	192,767	138,969
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of marketable securities with maturities of more than 3 months	7,627	19,763
Purchases of marketable securities with maturities of more than 3 months	(25,000)	(17,915)
Purchases of capital assets	(68,613)	(78,722)
Payments for acquisitions, net of cash acquired	(115,991)	(35,666)
Net proceeds from sales of businesses, net of cash sold	--	25,106
Proceeds from sales of capital assets	14,841	50,824
Loans to others	32,500	(32,500)
Investment in time deposit to establish loan guarantee collateral	(10,000)	--
Other	(6,705)	2,636
Net cash used in investing activities	(171,341)	(66,474)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (payments) proceeds from short-term debt	(33,591)	1,376
Payments on long-term debt	(2,146)	(9,554)
Net proceeds from issuance of subsidiary stock	64,459	--
Payments to retire common stock	(1,093)	(216,745)
Proceeds from issuing stock under employee plans	6,547	25,712
Cash dividends paid to shareholders	(80,274)	(86,385)
Net cash used in financing activities	(46,098)	(285,596)
NET CASH USED BY CERTAIN INTERNATIONAL OPERATIONS DURING DECEMBER 1999 (SEE NOTE 10)	(4,127)	--
NET DECREASE IN CASH AND CASH EQUIVALENTS	(28,799)	(213,101)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	140,465	268,389
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 111,666	\$ 55,288

</TABLE>

See Notes to Unaudited Consolidated Financial Statements

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated balance sheet as of September 30, 2000, the consolidated statements of income for the quarters and nine months ended September 30, 2000 and 1999, and the consolidated statements of cash flows for the nine months ended September 30, 2000 and 1999 are unaudited. The amount reflected as minority interest in net assets of subsidiary on the Company's consolidated balance sheet as of September 30, 2000, and the amounts reflected as minority interest in earnings of subsidiary on the Company's consolidated statements of income for the quarter and nine months ended September 30, 2000, represent the minority shareholders' proportionate share of the equity and net earnings, respectively, of eFunds Corporation. In the opinion of management, all adjustments necessary for a fair presentation of the Company's consolidated financial statements are included. Other than those discussed in the notes below, such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results for a full year. The consolidated financial statements and notes are presented in accordance with instructions for Form 10-Q, and do not contain certain information included in the Company's consolidated annual financial statements and notes. The consolidated financial statements and notes appearing in this Report should be read in conjunction with the Company's consolidated audited financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

2. The Company's total comprehensive income for the quarters ended September 30, 2000 and 1999 was \$49.3 million and \$49.6 million, respectively. Total comprehensive income for the nine months ended September 30, 2000 and 1999 was \$128.1 million and \$144.1 million, respectively. The Company's total comprehensive income consists of net income, unrealized holding gains and losses on securities and foreign currency translation adjustments.

3. 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>

	Quarter Ended September 30, -----		Nine Months Ended September 30, -----	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Net income per share-basic:				
Net income	\$ 49,397	\$ 49,057	\$128,559	\$144,869
Weighted average shares outstanding	72,391	75,588	72,265	77,835
Net income per share-basic	\$ 0.68	\$ 0.65	\$ 1.78	\$ 1.86
=====				
Net income per share-diluted:				
Net income	\$ 49,397	\$ 49,057	\$128,559	\$144,869
Weighted average shares outstanding	72,391	75,588	72,265	77,835
Dilutive impact of options	77	398	74	316
Shares contingently issuable	12	27	7	19
Weighted average shares and potential dilutive shares outstanding	72,480	76,013	72,346	78,170
Net income per share-diluted	\$ 0.68	\$ 0.65	\$ 1.78	\$ 1.85
=====				

</TABLE>

4. As of September 30, 2000, the Company had committed lines of credit for \$450.0 million available for borrowing and as support for commercial paper. The average amount drawn on these lines during the first nine months of 2000 was \$25.0 million at a weighted-average interest rate of 6.26%. As of September 30, 2000, no amounts were outstanding under these lines of credit. 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%. As of September 30, 2000, the Company had \$25.0 million of commercial paper outstanding at an interest rate of 6.54%. The average amount of commercial paper outstanding during the first nine months of 2000 was \$6.2 million at a weighted-average interest rate of 6.57%. No commercial paper was issued during 1999.

The Company also had a \$10.0 million credit facility, denominated in Indian rupees, available to its Indian operations at the lender's prime interest rate. Borrowings under this facility are due on demand. This facility is guaranteed by the Company

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and this guarantee is collateralized by a \$10.0 million time deposit account maintained by the Company with the lending bank. The maturity date of this deposit is December 28, 2000, at which time the collateral may be renewed or replaced by agreement of both parties. The average amount drawn on this credit facility during the first nine months of 2000 was \$4.6 million at a weighted-average interest rate of 15.77%. As of September 30, 2000, \$4.9 million was outstanding at an interest rate of 15.77%. The average amount drawn on this credit facility during 1999 was \$2.7 million at a weighted-average interest rate of 15.81%. As of December 31, 1999, \$3.1 million was outstanding at an interest rate of 15.81%.

The Company had uncommitted bank lines of credit of \$40.0 million available at variable interest rates. The average amount drawn on these lines of credit during the first nine months of 2000 was \$44 thousand at a weighted-average interest rate of 6.38%. The average amount drawn on these lines of credit during 1999 was \$1.5 million at a weighted-average interest rate of 5.12%. As of September 30, 2000 and December 31, 1999, no amounts were outstanding under 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 September 30, 2000 and December 31, 1999, no such notes were issued or outstanding.

5. 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 (EBT) 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. 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 consolidated statement of income for the nine months ended September 30, 1999.

6. During the third quarter of 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 were classified as operating leases and one was classified as a capital lease. An asset of \$11.6 million was recorded for the capital lease and is reflected in buildings and building improvements in the consolidated balance sheets as of September 30, 2000 and December 31, 1999. 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 in the case of the operating leases and over the life of the capital asset in the case of the capital lease. \$7.1 million and \$8.7 million of the deferred gain is reflected in other long-term liabilities in the September 30, 2000 and December 31, 1999 consolidated balance sheets, respectively. The Company provided short-term financing for \$32.5 million of the proceeds from this sale. This amount was reflected in prepaid expenses and other current assets in the December 31, 1999 consolidated balance sheet and was reflected as loans to others in the consolidated statement of cash flows for the nine months ended September 30, 1999. The loan was paid in full in January 2000.

7. The Company's consolidated balance sheets reflect restructuring accruals of \$5.1 million and \$15.1 million as of September 30, 2000 and December 31, 1999, respectively, for employee severance costs and \$1.1 million as of December 31, 1999, for estimated losses on asset dispositions.

During the second quarter of 2000, the Company recorded restructuring charges of \$1.4 million. These charges primarily related to the Paper Payment Systems segment's transfer of certain data entry functions to the eFunds segment and administrative reductions within the eFunds segment and assumed the termination of approximately 185 employees, 30 of which were employed with the eFunds segment. Additionally, the Company reversed \$3.0 million of restructuring charges relating to the Company's initiative to reduce selling, general and administrative (SG&A) expense. This was due to higher attrition than anticipated and the reversal of "early termination" payments to a group of employees. Under the Company's severance program, employees are provided 60 days notice prior to being terminated. In certain situations, the Company asks the employees to leave immediately because they may have access to crucial infrastructure or information. In these cases, severance includes this additional amount. In certain situations, management decided to keep employees working for the 60 day period and thus, a reduction in the restructuring reserves was required since this pay was no longer severance, but an

operating expense. These new restructuring charges and reversals are reflected in SG&A expense in the Company's consolidated statement of income for the nine months ended September 30, 2000.

During the first quarter of 1999, restructuring accruals of \$2.0 million were reversed. These reversals related to the Company's decision in 1999 to retain the international operations of its eFunds segment. During the second quarter of 1999, restructuring accruals of \$4.2 million were reversed. These amounts related to the Company's initiative to reduce SG&A expense and to discontinue production of direct mail products. The excess accrual occurred and was reversed 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. Additionally, excess accruals resulted from 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. Also during the second quarter of 1999, the Company recorded restructuring accruals 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 collections business which was sold in December 1999. These accrual reversals and the new restructuring accruals are reflected in the Company's consolidated statement of income for the nine months ended September 30, 1999 as cost of sales expense of \$0.9 million, a reduction in SG&A expense of \$3.2 million and other income of \$2.3 million.

The cumulative activity for the severance portion of the Company's restructuring accruals as of September 30, 2000 is as follows (dollars in millions):

<TABLE>
<CAPTION>

	SG&A Reductions & Direct Mail Production(2)	Collection Ctr Closing/ Reductions	Data Entry Transfer	eFunds Reductions
Total	Check Printing Plant Closings(1)			

of employees affected	No. of employees affected		No. of employees affected		No. of employees affected		No. of employees affected		No. of employees affected		No.
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Original accrual 6,085	\$ 91.3	4,970	\$ 68.0	860	\$ 21.2	70	\$ 0.8	155	\$ 0.9	30	\$ 0.4
Severance paid (4,912)	(71.8)	(4,295)	(59.6)	(440)	(10.8)	(70)	(0.7)	(95)	(0.5)	(12)	(0.2)
Adjustments to accrual (875)	(14.4)	(545)	(5.9)	(330)	(8.4)	--	(0.1)	--	--	--	--
Balance, September 30, 2000 298	\$ 5.1	130	\$ 2.5	90	\$ 2.0	--	\$ --	60	\$ 0.4	18	\$ 0.2

</TABLE>

(1) Includes charges recorded in 1996 and 1998 for plans to close financial institution check printing plants and charges recorded in 1996 and 1997 for reductions in support functions at corporate operations and other businesses, implementation of a new order processing and customer service system and implementation of process improvements in the post-press phase of check production. 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.

(2) Includes charges recorded in 1998 for the Company's initiatives to reduce SG&A expense and discontinue production of direct mail products.

The majority of the remaining severance costs are expected to be paid by early 2001 with cash generated from the Company's operations.

The remaining accrual for estimated losses on asset dispositions as of December 31, 1999 related to charges recorded in 1996 and 1998 for plans to close financial institution check printing plants. These plant closures were completed during the first quarter of 2000. Through September 30, 2000, losses of \$15.0 million on the disposition of the assets of these plants were applied against the restructuring reserves.

8. In February 2000, the Company acquired all of the outstanding shares of Designer Checks for \$97.0 million in cash. Designer Checks produces specialty design checks and related products for direct sale to consumers and is 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 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

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the date of purchase. Total cost in excess of net assets acquired in the amount of \$88.8 million is being amortized over 15 years. The effect of this acquisition was not material to the operations or financial position of the Company.

9. In March 2000, the Company paid cash of \$20.0 million for an approximately 24% interest in a limited liability company that provides automated teller machine (ATM) management services. This investment is being accounted for under the equity method of accounting and is included in other long-term investments in the Company's consolidated balance sheet as of September 30, 2000. The difference of \$20.0 million between the carrying value of the investment and the underlying equity in the net assets of the limited liability company is being accounted for in the same manner as goodwill and is being amortized over 15 years. The Company's consolidated financial statements reflect the impact of this investment subsequent to its acquisition date in other income (expense) within the Company's eFunds segment.

The Company has agreed to make up to \$35.0 million of cash available for

supplying ATMs managed by the limited liability company and had supplied \$27.9 million of cash for this purpose as of September 30, 2000. This cash is classified as long-term restricted cash on the Company's consolidated balance sheet. The Company has also agreed to guarantee equipment leases of up to \$3.0 million face value for Canadian customers of the limited liability company and has indicated that, subject to the mutual agreement of the parties upon definitive terms and conditions, the Company would be willing to work towards an arrangement under which it would loan the limited liability company up to \$12.0 million to enable it to undertake mutually agreed-upon acquisitions.

10. Effective January 1, 2000, certain of the international operations of the eFunds segment which had previously reported their results of operations and financial position on a one-month lag, changed their reporting dates to coincide with the rest of the Company's subsidiaries. This change, which was made in conjunction with the implementation of the Company's central accounting and financial reporting system, will reflect the financial results of these operations on a more timely basis and will improve operating and planning efficiencies. The results of operations for this portion of the eFunds segment for the month of December 1999 were excluded from the Company's consolidated statements of income and were reflected as an adjustment to retained earnings during the first quarter of 2000. These operations generated a net loss of \$1.1 million in the month of December 1999.

11. During the second quarter of 2000, the Company recorded net charges of \$9.7 million for additional expected future losses on the contracts of the eFunds segment's EBT business. This amount is reflected in cost of sales in the Company's consolidated statement of income for the nine months ended September 30, 2000. In April 2000, the Company completed negotiations with the prime contractor for a state coalition for which the Company provides EBT services. Prior to this, the Company and the prime contractor were operating without a binding, legally enforceable contract. The Company increased its accrual for expected future losses on long-term service contracts by \$12.2 million to reflect the fact that the Company now had a definitive agreement with this contractor. Although the Company believed that it did not have a legal obligation to provide services to this coalition, the states included in this coalition did not have alternate means of delivering benefits under their entitlement programs. As a result, the Company believed it could not terminate the provision of services during its contract negotiations with the prime contractor because any unilateral decision to do so would have subjected the Company to a substantial risk of litigation by the coalition states, as well as potential claims by the prime contractor. The execution of the contract allowed the Company to avoid the possibility that its future losses associated with the provision of these services would be larger than the charge the Company recorded if the prime contractor ultimately prevailed on all of the points pursued by it during negotiations. Partially offsetting this charge was the reversal of \$2.5 million of previously recorded contract loss accruals. These reversals resulted from productivity improvements and cost savings from lower than anticipated telecommunications and interchange expenses.

12. In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards 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 the Company's reported operating results or financial position.

13. In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS, which provides guidance in applying generally accepted accounting principles to revenue recognition in financial statements. Application of this SAB did not have a material impact on the Company's reported operating results or financial position.

14. In January 2000, the Company announced that its board of directors approved a plan to combine its Electronic Payment Systems, Professional Services and Government Services segments into a separate, independent, publicly traded company called eFunds Corporation (eFunds). As a result, the Company modified its internal management reporting in the first half of 2000 and restated its segment information for prior years to conform to the current operating structure which presents the business units as two operating segments based on the nature of the products and services offered by each: Paper Payment Systems and eFunds. Paper Payment Systems provides checks and related products to financial institutions, consumers and small businesses. eFunds provides transaction processing, ATM outsourcing services, decision support and risk management products and services to financial institutions, retailers, electronic funds transfer networks, e-commerce providers and government agencies and offers information technology consulting and business process management services both on a stand-alone basis and as a complement to its electronic payments business. In December 1999, the Company sold its collections business. 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. The Company's segments operate primarily in the United States. The eFunds segment also has some international operations.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies as presented in the Company's notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999. In evaluating segment performance, management focuses on income from operations and earnings before interest, income taxes, depreciation and amortization (EBITDA). The income from operations measurement utilized by management excludes special charges (e.g., certain restructuring charges, asset impairment charges, certain one-time charges that management believes are not reflective of on-going operations, etc.).

During 1999, 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 corporate asset balances were also allocated to the segments. During 2000, the majority of the costs for these support functions were incurred directly by the operating segments. The remaining holding company expenses were allocated to the segments based on estimates of the costs which would have been incurred by the operating segments if they were stand-alone, independent entities. Intersegment sales are generally based on current market pricing.

Prior to the Company's acquisition of the remaining 50% interest in HCL-Deluxe, N.V. in April 1999, 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 internal management reporting, the entire results of the joint venture for the pre-acquisition period are reflected in the business segment information for the eFunds segment as if the business had been a consolidated entity.

Segment information for the quarter and nine months ended September 30, 2000 and 1999 is as follows (dollars in thousands):

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QUARTER ENDED SEPTEMBER 30, 2000	PAPER PAYMENT SYSTEMS	eFUNDS	TOTAL SEGMENTS
Net sales to external customers	\$ 314,581	\$ 90,366	\$ 404,947
Intersegment sales	--	13,637	13,637
Operating income excluding special charges	77,208	7,717	84,925
Special charges	--	1,338	1,338
Operating income including special charges	77,208	6,379	83,587
EBITDA	95,649	14,132	109,781
Depreciation and amortization expense	17,523	7,719	25,242
Segment assets	541,396	406,553	947,949
Capital purchases	13,890	11,912	25,802

QUARTER ENDED SEPTEMBER 30, 1999	PAPER PAYMENT SYSTEMS	eFUNDS	TOTAL SEGMENTS
Net sales to external customers	\$ 311,519	\$ 77,419	\$ 388,938
Intersegment sales	--	2,476	2,476
Operating income excluding special charges	76,069	1,331	77,400
Special charges	--	--	--
Operating income including special charges	76,069	1,331	77,400
EBITDA	92,962	4,232	97,194
Depreciation and amortization expense	15,391	5,771	21,162
Segment assets	512,586	266,305	778,891
Capital purchases	16,842	9,345	26,187

</TABLE>

<TABLE> <CAPTION> NINE MONTHS ENDED SEPTEMBER 30, 2000	PAPER PAYMENT SYSTEMS	eFUNDS	TOTAL SEGMENTS
<S>	<C>	<C>	<C>
Net sales to external customers	\$ 954,979	\$ 261,150	\$1,216,129
Intersegment sales	--	44,078	44,078
Operating income excluding special charges	235,396	17,426	252,822
Special (recoveries) charges	(2,128)	13,912	11,784
Operating income including special charges	237,524	3,514	241,038
EBITDA	286,459	24,587	311,046
Depreciation and amortization expense	49,063	21,152	70,215
Segment assets	541,396	406,553	947,949
Capital purchases	40,642	27,935	68,577

<CAPTION> NINE MONTHS ENDED SEPTEMBER 30, 1999	PAPER PAYMENT SYSTEMS	eFUNDS	TOTAL SEGMENTS
<S>	<C>	<C>	<C>
Net sales to external customers	\$ 927,178	\$ 220,525	\$1,147,703
Intersegment sales	--	4,118	4,118
Operating income excluding special charges	228,274	8,393	236,667
Special charges	--	898	898
Operating income including special charges	228,274	7,495	235,769
EBITDA	270,478	23,265	293,743
Depreciation and amortization expense	43,069	16,726	59,795
Segment assets	512,586	266,305	778,891
Capital purchases	50,553	26,063	76,616

</TABLE>

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

<TABLE> <CAPTION>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
NET SALES TO EXTERNAL CUSTOMERS				
<S>	<C>	<C>	<C>	<C>
Total segment net sales to external customers	\$ 404,947	\$ 388,938	\$ 1,216,129	\$ 1,147,703
Divested businesses not included in segments	--	28,176	--	94,736
eFunds pre-acquisition elimination	--	--	--	(3,406)
Total consolidated net sales to external customers	\$ 404,947	\$ 417,114	\$ 1,216,129	\$ 1,239,033

</TABLE>

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<TABLE> <CAPTION>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
OPERATING INCOME INCLUDING SPECIAL CHARGES				
<S>	<C>	<C>	<C>	<C>
Total segment operating income	\$ 83,587	\$ 77,400	\$ 241,038	\$ 235,769
Divested businesses not included in segments	--	(597)	--	978
eFunds pre-acquisition elimination	--	--	--	1,234
Unallocated holding company expenses	(6,362)	(3,438)	(30,443)	(9,457)
Total consolidated operating income	\$ 77,225	\$ 73,365	\$ 210,595	\$ 228,524

</TABLE>

Holding company expenses consisted primarily of charges for certain liabilities that are not allocated to the segments.

<TABLE> <CAPTION>	Quarter Ended	Nine Months Ended
----------------------	---------------	-------------------

DEPRECIATION AND AMORTIZATION EXPENSE	September 30,		September 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Total segment depreciation and amortization expense	\$ 25,242	\$ 21,162	\$ 70,215	\$ 59,795
Divested businesses not included in segments	--	--	--	2,081
eFunds pre-acquisition elimination	--	--	--	(143)
Unallocated holding company expense	62	26	111	78
Total consolidated depreciation and amortization expense	\$ 25,304	\$ 21,188	\$ 70,326	\$ 61,811

</TABLE>
<TABLE>
<CAPTION>

TOTAL ASSETS	September 30,	
	2000	1999
<S>	<C>	<C>
Total segment assets	\$ 947,949	\$ 778,891
Assets of divested businesses not included in segments	--	87,838
Unallocated holding company assets	119,209	141,834
Total consolidated assets	\$1,067,158	\$1,008,563

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

<TABLE>
<CAPTION>

CAPITAL PURCHASES	Quarter Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Total segment capital purchases	\$ 25,802	\$ 26,187	\$ 68,577	\$ 76,616
Divested businesses not included in segments	--	920	--	2,212
eFunds pre-acquisition elimination	--	--	--	(145)
Holding company capital purchases	19	23	36	39
Total consolidated capital purchases	\$ 25,821	\$ 27,130	\$ 68,613	\$ 78,722

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

<TABLE>
<CAPTION>

	NET SALES TO EXTERNAL CUSTOMERS				LONG-LIVED ASSETS	
	Quarter Ended September 30,		Nine Months Ended September 30,		September 30,	
	2000	1999	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States	\$ 400,676	\$ 411,997	\$1,203,424	\$1,223,630	\$ 245,600	\$ 310,790
Foreign countries	4,271	5,117	12,705	15,403	6,852	5,595
Total consolidated	\$ 404,947	\$ 417,114	\$1,216,129	\$1,239,033	\$ 252,452	\$ 316,385

15. In January 2000, the Company announced that its board of directors approved a plan to operate the Company's eFunds segment as a separate, independent, publicly traded company to be called eFunds Corporation. eFunds issued 5.5 million shares of its common stock to the public in June 2000. Prior to the initial public offering (IPO), the Company owned 40 million, or 100%, of eFunds' total outstanding shares. Subsequent to the IPO, the Company continues to own 40 million shares of eFunds common stock, representing 87.9% of eFunds' total outstanding common shares. Proceeds from the offering, based on the offering price of \$13.00 per share, totaled \$71.5 million (\$64.5 million, net of

offering expenses). The difference of \$30.5 million between the net proceeds from the offering and the carrying amount of the Company's investment in eFunds was recorded as additional paid-in capital. The Company also recorded charges of \$7.2 million for payments which must be made to certain officers of the Company under change of control and executive employment agreements. These charges are reflected in SG&A expense in the Company's consolidated statement of income for the nine months ended September 30, 2000.

In October 2000, the Company announced that it plans to distribute all of its shares of eFunds common stock to its shareholders through a spin-off transaction rather than by an exchange offer, or split-off, as had been previously announced. The 40 million shares of eFunds common stock currently owned by the Company will now be distributed on a designated distribution date to every Deluxe shareholder of record on a designated record date. Each shareholder will receive a fixed number of eFunds shares for each Deluxe share owned. Because the Company is planning to spin-off eFunds, the issuance of eFunds common stock in June 2000 was treated as a capital transaction under the guidance of Staff Accounting Bulletin No. 51, ACCOUNTING FOR SALES OF STOCK BY A SUBSIDIARY.

The Company's plans for a spin-off are subject to receiving confirmation from the Internal Revenue Service (IRS) that the spin-off will be tax-free to the Company and to its shareholders for U.S. federal income tax purposes. The Company has the sole discretion to determine whether to proceed with the spin-off and to determine the timing and other aspects of the transaction. Subject to these conditions, the Company plans to complete the spin-off on or before December 31, 2000. The Company has submitted a request to the IRS for confirmation that the spin-off will be tax-free to the Company and to its shareholders for U.S. federal income tax purposes. The Company cannot be certain when or whether it will receive this confirmation from the IRS, or that the distribution by the Company will be completed. If consummated, the Company would recognize the distribution of eFunds stock as a reduction of retained earnings and would reflect eFunds results of operations as discontinued operations in the Company's consolidated financial statements. If the Company does not complete the spin-off, it will continue to control eFunds and the Company and eFunds may not realize the anticipated benefits from the separation of the two companies.

In connection with the eFunds' IPO and the planned spin-off, the Company and eFunds have entered 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 IPO and the distribution of eFunds stock, registration rights for the Company, intercompany loans, information technology consulting, business process management services, indemnification, data sharing, real estate matters, tax sharing and transition services. For transition services, eFunds will compensate the Company for providing services and will negotiate for third-party rates after the transition arrangements terminate. The transition period varies depending on the agreement, but many transition services will terminate upon the distribution of eFunds stock. Some of the transition agreements may be extended beyond the initial transition period. Additionally, the Company has agreed to indemnify eFunds for future losses arising from any litigation based on the conduct

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of the EBT and medical eligibility verification businesses prior to eFunds' IPO in June 2000, and from future losses on identified loss contracts in excess of the Company's \$29.2 million accrual for contract losses as of April 30, 2000. The indemnification obligation does not apply to losses covered by the existing reserves. The maximum amount of litigation and contract losses for which the Company will indemnify eFunds is \$14.6 million. Prior to the spin-off, any indemnification payments to eFunds will be treated as capital contributions. After the spin-off, any indemnification payments to eFunds will be recorded as other expense in the Company's consolidated statements of income. Through September 30, 2000, no such indemnification payments have been made.

16. In August 2000, the Company announced an e-commerce growth strategy that is intended to leverage the Company's personalization and information management competencies from its core check printing business into other profitable revenue growth opportunities. The first outcome of this strategy was PlaidMoon.com, an Internet-based business concept that allowed consumers to design and purchase personalized items. In October 2000, the Company announced that it is repositioning its PlaidMoon.com business concept within its Paper Payment Systems segment. Instead of being a stand-alone business as had been planned, PlaidMoon.com will be folded into existing businesses. The PlaidMoon.com web site will be inactive while it is being repositioned. The Company is currently evaluating to what extent the long-lived assets and employees of this business will be utilized by the Company's Paper Payment Systems segment. It is possible that this evaluation could result in asset impairment and restructuring charges in the fourth quarter of 2000.

17. In October 2000, the Company announced that by the beginning of 2001 it will begin outsourcing the eFunds segment's consumer voice inquiry operations

relating to Chex Systems records. Approximately 300 eFunds employees are impacted by this decision. Although some of these employees may not find other positions within eFunds, the Company does not expect to record a significant restructuring charge in the fourth quarter of 2000 as a result of this initiative.

18. Certain prior period amounts have been reclassified to conform with the current year presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

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

Company Profile

We have organized our businesses into two operating segments based on the nature of the products and services offered by each: Paper Payment Systems and eFunds. Paper Payment Systems provides checks and related products to financial institutions, consumers and small businesses. eFunds provides transaction processing, automated teller machine (ATM) outsourcing services, decision support and risk management products and services to financial institutions, retailers, electronic funds transfer networks, e-commerce providers and government agencies and offers information technology consulting and business process management services both on a stand-alone basis and as a complement to its electronic payments business. In December 1999, we sold our collections business, NRC Holding Corporation and its subsidiaries. Our segments operate primarily in the United States. The eFunds segment also has some international operations.

In January 2000, we announced that our board of directors approved a plan to combine the businesses within the eFunds segment into a separate, independent, publicly traded company called eFunds Corporation. eFunds issued 5.5 million shares to the public in June 2000. Prior to this initial public offering (IPO), we owned 40 million, or 100%, of eFunds' total outstanding shares. Subsequent to the IPO, we continue to own 40 million eFunds shares, representing 87.9% of eFunds' total outstanding shares. eFunds' proceeds from the IPO totaled \$71.5 million (\$64.5 million, net of offering expenses).

In October 2000, we announced that we plan to distribute all of our shares of eFunds common stock to our shareholders through a spin-off transaction rather than by an exchange offer, or split-off, as had been previously announced. The 40 million shares of eFunds common stock which we currently own will now be distributed on a designated distribution date to every Deluxe shareholder of record on a designated record date. Each shareholder will receive a fixed number of eFunds shares for each Deluxe share owned. Our plans for a spin-off are subject to confirmation from the Internal Revenue Service (IRS) that the spin-off will be tax-free to us and to our shareholders for U.S. federal income tax purposes. We have the sole discretion to determine whether to proceed with the spin-off and to determine the timing and other aspects of the transaction. Subject to these conditions, we plan to complete the spin-off on or before December 31, 2000. We have submitted a request to the IRS for confirmation that the spin-off will be tax-free to us and to our shareholders for U.S. federal income tax purposes. We

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cannot be certain when or whether we will receive this confirmation from the IRS, or that the distribution will be completed. If consummated, we would recognize the distribution of eFunds stock as a reduction of retained earnings and would reflect eFunds results of operations as discontinued operations in our consolidated financial statements. If we do not complete the spin-off, we will continue to control eFunds and we and eFunds may not realize the anticipated benefits from the separation of the two companies.

In connection with eFunds' IPO and the planned spin-off, we have entered into various agreements with eFunds that address the allocation of assets and liabilities between us and that define our relationship after the separation. These agreements relate to matters such as consummation of the IPO and the distribution of eFunds stock, our registration rights, intercompany loans, information technology consulting, business process management services, indemnification, data sharing, real estate matters, tax sharing and transition services. An intercompany loan which we have made to eFunds matures at the earlier of December 31, 2000 or the completion of the spin-off. For transition services, eFunds will compensate us for providing services and will negotiate third-party rates after the transition arrangements terminate. The transition period varies depending on the agreement, but many transition services will terminate upon the distribution of eFunds stock. Some of the transition agreements may be extended beyond the initial transition period.

We presently plan to exit the electronic benefits transfer (EBT) and medical eligibility verification businesses when our current contractual commitments expire in 2006. During the wind-down period, we intend to continue

to take steps to improve the profitability of the current business, although the revenues of this business may decline as existing contracts expire. Additionally, we have agreed to indemnify eFunds for future losses arising from any litigation based on the conduct of these businesses prior to eFunds' IPO in June 2000, and from future losses on identified loss contracts in excess of our \$29.2 million accrual for contract losses as of April 30, 2000. The indemnification obligation does not apply to losses covered by the existing reserves. The maximum amount of litigation and contract losses for which we will indemnify eFunds is \$14.6 million. Prior to the completion of the spin-off, any indemnification payments to eFunds will be treated as capital contributions. After completion of the spin-off, any indemnification payments to eFunds will be recorded as other expense in our consolidated statements of income. Through September 30, 2000, no such indemnification payments have been made.

Results of Operations - Quarter and Nine Months Ended September 30, 2000
Compared to the Quarter and Nine Months Ended September 30, 1999

NET SALES - Net sales decreased \$12.2 million, or 2.9%, to \$404.9 million during the third quarter of 2000 from \$417.1 million during the third quarter of 1999 and decreased \$22.9 million, or 1.8%, to \$1,216.1 million during the first nine months of 2000 from \$1,239.0 million during the first nine months of 1999. 1999 third quarter sales included \$28.2 million of sales from our collections business which was sold in December 1999, while sales for the first nine months of 1999 included sales of \$94.7 million from this business. With these sales excluded, net sales increased 4.1% during the third quarter of 2000 and 6.3% during the first nine months of 2000.

Paper Payment Systems net sales increased \$3.1 million, or 1.0%, to \$314.6 million in the third quarter of 2000 from \$311.5 million in the third quarter of 1999. Net sales increased \$27.8 million, or 3.0%, to \$955.0 million in the first nine months of 2000 from \$927.2 million in the first nine months of 1999. These increases were due, in part, to the acquisition in February 2000 of Designer Checks which contributed revenues of \$14.6 million during the third quarter of 2000 and \$41.3 million during the first nine months of 2000. Additionally, the segment experienced volume increases in its business forms and direct checks businesses for the first nine months of 2000 and had increased revenue per unit for all businesses. A price increase for postage and new services within its financial institution checks business and a price increase for phone reorders in its direct checks business contributed to the increase in revenue per unit. Partially offsetting these improvements was a decrease in volume for the financial institution checks business due to lost customers. The loss of business was due primarily to competitive pricing requirements that fell below the segment's revenue and profitability per unit targets.

eFunds net sales increased \$24.1 million, or 30.2%, to \$104.0 million in the third quarter of 2000 from \$79.9 million in the third quarter of 1999. Net sales increased \$84.9 million, or 38.5%, to \$305.2 million in the first nine months of 2000 from \$220.3 million in the first nine months of 1999. On a full year pro forma basis, assuming our April 1999 acquisition of the remaining 50% interest in HCL-Deluxe, N.V. occurred on January 1, 1999, net sales increased \$80.6 million, or 35.9%, to \$305.2 million in the first nine months of 2000 from \$224.6 million in the first nine months of 1999. These increases were due to increased transaction processing volumes, offset to some extent by lower fees for new customers and customers renewing their agreements, increased account verification inquiry volumes coupled with a price increase, expanded collection

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service product offerings and increased utilization of these services. In September 2000, the eFunds segment entered into a new ATM deployment agreement that resulted in additional revenue. Additionally, the segment initiated business process management and information technology consulting services for our Paper Payment Systems segment in 2000. Excluding intersegment sales on a pro forma basis, assuming our April 1999 acquisition of the remaining 50% interest in HCL-Deluxe, N.V. occurred on January 1, 1999, eFunds net sales increased \$13.0 million, or 16.7%, to \$90.4 million in the third quarter of 2000 from \$77.4 million in the third quarter of 1999 and increased \$40.7 million, or 18.4%, to \$261.2 million in the first nine months of 2000 from \$220.5 million in the first nine months of 1999. Partially offsetting these increases, was slightly lower revenue for the EBT portion of this segment due to the expiration of one contract.

GROSS MARGIN - Gross margin increased \$0.1 million to \$229.8 million for the third quarter of 2000 from \$229.7 million for the third quarter of 1999. Gross margin increased \$7.9 million, or 1.1%, to \$689.1 million for the first nine months of 2000 from \$681.2 million for the first nine months of 1999. As a percentage of net sales, gross margin increased to 56.7% for the third quarter of 2000 from 55.1% for the third quarter of 1999 and increased to 56.7% for the first nine months of 2000 from 55.0% for the first nine months of 1999. Cost of sales for the first nine months of 2000 included net charges of \$9.7 million for additional expected future losses on the contracts of the eFunds segment's EBT business. In April 2000, we completed negotiations with the prime contractor for a state coalition for which eFunds provides EBT services. Previously, we were

operating without a binding, legally enforceable contract with this contractor. We increased our accrual for expected future losses on long-term service contracts by \$12.2 million to reflect the fact that we now had a definitive agreement with this contractor. Although we believed that we did not have a legal obligation to provide services for the coalition, the states included in the coalition did not have alternate means of delivering benefits under their entitlement programs. As a result, we believed we could not terminate the provision of services during our contract negotiations with the prime contractor because any unilateral decision to do so would have subjected us to a substantial risk of litigation by the coalition states, as well as potential claims by the prime contractor. The execution of this contract allowed us to avoid the possibility that future losses associated with the provision of these services would be larger than the charge we recorded if the prime contractor ultimately prevailed on all of the points pursued by it during negotiations. Partially offsetting this charge was the reversal of \$2.5 million of previously recorded contract loss accruals resulting from productivity improvements and cost savings from lower than anticipated telecommunications and interchange expenses. Excluding the net charges of \$9.7 million, our gross margin percentage would have been 57.5% for the first nine months of 2000. The improvement in gross margin percentage was partially due to the sale of our collections business in December 1999. This business had a gross margin percentage of 15.3% for the third quarter of 1999 and 25.1% for the first nine months of 1999.

Paper Payment Systems gross margin percentage increased to 64.5% for the third quarter of 2000 from 62.8% for the third quarter of 1999 and increased to 64.8% for the first nine months of 2000 from 62.2% for the same period in 1999. These increases were due to cost reductions realized from closing financial institution check printing plants, continuing process improvements within all businesses and the loss of lower margin customers within the financial institution checks business. The last of the scheduled check printing plant closings was completed during the first quarter of 2000, and we consolidated two facilities into one at the end of the second quarter. We plan to continue our process improvements and focus on increasing sales of higher margin products during the remainder of 2000.

eFunds gross margin percentage was 39.0% for the third quarter of 2000 and 38.9% for the third quarter of 1999. For the first nine months of 2000, eFunds gross margin percentage decreased to 37.3% from 37.8% for the same period in 1999. Cost of sales for the first nine months of 2000 included net charges of \$9.7 million for additional expected future losses on the contracts of the segment's EBT business. Excluding these charges, eFunds' gross margin percentage would have been 40.5% for the first nine months of 2000, showing improvement over 1999. The improvement was due to a shift toward electronic customer inquiries in the account verification business which generate higher margins, increased utilization of existing infrastructure, less reliance on sub-contractors, an increasing portion of work being performed at the India facilities where margins are higher and the implementation of cost containment measures within the segment's EBT business. Partially offsetting these improvements was the new ATM deployment agreement entered into in September 2000. In the third quarter, this agreement exhibited a slight loss.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSE - SG&A expense decreased \$3.8 million, or 2.4%, to \$152.5 million during the third quarter of 2000 from \$156.3 million during the third quarter of 1999. SG&A expense increased \$25.8 million, or 5.7%, to \$478.5 million during the first nine months of 2000 from \$452.7 million during the first nine months of 1999. As a percentage of net sales, SG&A expense increased to 37.7% during the third quarter of 2000 as

compared to 37.5% during the third quarter of 1999 and increased to 39.3% during the first nine months of 2000 as compared to 36.5% during the first nine months of 1999. SG&A expense for the first nine months of 2000 included net restructuring reversals of \$1.6 million, charges of \$7.2 million for payments due to certain officers under change of control and executive employment agreements, as well as additional charges of \$7.2 million for administrative costs relating to the planned spin-off of the eFunds segment. SG&A expense for the first nine months of 1999 included net restructuring reversals of \$3.2 million. Additionally, the increase in SG&A expense was due to a number of other factors including the HCL-Deluxe, N.V. and Designer Checks acquisitions, as well as increased marketing and infrastructure expenses for new and existing products. These increases were partially offset by the sale of our collections business in December 1999. The collections business had \$4.9 million and \$22.8 million of SG&A expense in the third quarter and first nine months of 1999, respectively.

Paper Payment Systems SG&A expense increased 5.1% in the third quarter of 2000 from the third quarter of 1999 and increased 9.3% for the first nine months of 2000 from the first nine months of 1999. This reflects increased spending on Internet commerce infrastructure and additional capabilities for new ventures, as well as increased marketing expenses for the direct checks business as it continues to emphasize new customer acquisition. Additionally, the segment experienced increased SG&A expense due to the acquisition of Designer Checks in

February 2000. Partially offsetting these increases were decreased data entry costs at the direct checks business due to an improved order entry system, the continuing roll-out of a new order entry and customer service system at the financial institution checks business, as well as the net reversal of \$2.1 million of restructuring charges in the second quarter of 2000.

eFunds SG&A expense increased 14.8% in the third quarter of 2000 from the third quarter of 1999 and increased 48.0% for the first nine months of 2000 from the first nine months of 1999. The increases in SG&A expense were due to several factors, including the acquisitions of an electronic check conversion company in February 1999 and HCL-Deluxe, N.V. in April 1999, additional promotional advertising geared toward creating brand awareness, infrastructure investments and costs associated with the separation from Deluxe. Additionally, in the first quarter of 1999 the segment reversed \$2.0 million of restructuring accruals from prior periods related to the decision to retain the international operations of this segment, reducing SG&A expense for the first nine months of 1999. As a percentage of net sales, SG&A expense decreased to 32.8% during the third quarter of 2000 compared to 37.2% during the third quarter of 1999 and increased to 36.2% during the first nine months of 2000 compared to 33.8% during the first nine months of 1999.

OTHER INCOME (EXPENSE) - Other income decreased \$2.5 million to \$1.8 million during the third quarter of 2000 from \$4.3 million during the third quarter of 1999. Other expense was \$4.9 million during the first nine months of 2000 compared to other income of \$5.0 million during the first nine months of 1999. The decreases were due primarily to higher interest expense and lower investment income, gains on facility and equipment sales in 1999, as well as the fact that results for the first nine months of 1999 included the reversals of \$2.1 million of reserves for legal proceedings and \$2.3 million of restructuring reserves.

PROVISION FOR INCOME TAXES - Our effective tax rate for the third quarter of 2000 was 37.5% compared to 36.9% for the third quarter of 1999. Our effective tax rate for the first nine months of 2000 was 37.5% compared to 38.0% for the first nine months of 1999. The decreased rate for the first nine months of the year was due primarily to decreased state tax expense resulting from various tax reduction initiatives.

NET INCOME - Net income for the third quarter of 2000 increased \$0.3 million, or 0.7%, to \$49.4 million from \$49.1 million for the third quarter of 1999. Net income decreased \$16.3 million, or 11.3%, to \$128.6 million for the first nine months of 2000 from \$144.9 million for the first nine months of 1999. Our improved gross margin was offset by increased SG&A expense related to Internet commerce spending and other infrastructure investments, increased marketing expenses within the direct checks and eFunds businesses, increased goodwill amortization due to acquisitions and costs of the planned eFunds separation.

Liquidity, Capital Resources and Financial Condition

As of September 30, 2000, we had cash and cash equivalents of \$111.7 million. In addition, we had a \$10.0 million time deposit pledged as collateral to support our guarantee of a credit facility available to our Indian operations. The maturity date of this deposit is December 28, 2000, at which time the collateral may be renewed or replaced by the agreement of both parties. We also had \$4.8 million of restricted cash that we temporarily hold in custodial accounts on behalf of clients and had supplied \$27.9 million of restricted cash to ATMs deployed by us. We have agreed with the company who manages this

ATM base to make up to \$35.0 million of cash available for this purpose. We have also agreed to guarantee equipment leases of up to \$3.0 million face value for Canadian customers of this company and we have indicated that, subject to mutual agreement of the parties upon definitive terms and conditions, we would be willing to work towards an arrangement under which we would loan this company up to \$12.0 million to enable it to undertake mutually agreed-upon acquisitions. These obligations will continue to be eFunds' obligations upon completion of the separation of eFunds from Deluxe.

Our working capital on September 30, 2000 was a negative \$64.7 million compared to a positive \$14.1 million on December 31, 1999. The current ratio on September 30, 2000 and December 31, 1999 was 0.9 to 1 and 1.0 to 1, respectively. The decreases in working capital and the current ratio were primarily due to the fact that formerly long-term debt of \$100.0 million is payable in February 2001. Thus, the debt is included in current liabilities on the consolidated balance sheet at September 30, 2000. Cash provided by operations represents our primary source of working capital and the source for financing capital expenditures and paying cash dividends. We believe that cash generated from operations and from our current credit facilities is sufficient to sustain our existing operations.

Cash provided by operating activities was \$192.8 million during the first nine months of 2000 compared to \$139.0 million during the first nine months of 1999. The increase in 2000 was primarily due to the payment of \$32.2 million in February 1999 resulting from a judgment in a lawsuit involving the eFunds segment and the increase in restricted cash in 1999. Partially offsetting these items was an increase in eFunds accounts receivable in 2000 due to increased sales volume, as well as the fact that 1999 operating cash flow reflected a large decrease in accounts receivable. As the result of a management plan to drive a reduction in accounts receivable and maximize working capital, we saw a significant decrease in accounts receivable in 1999 due to an increase in Automated Clearing House (ACH) processing of cash receipts within the Paper Payment Systems segment.

Cash used in investing activities was \$171.3 million during the first nine months of 2000 compared to \$66.5 million during the same period in 1999. The most significant use of cash for investing activities was the payment of \$116.0 million during the first nine months of 2000 to complete the acquisition of Designer Checks and to purchase an investment interest in a limited liability company. We paid \$35.7 million during the first nine months of 1999 to complete two acquisitions. Purchases of capital assets totaled \$68.6 million during the first nine months of 2000 and \$78.7 million during the same period in 1999. Sources of investing cash flows were the sales of businesses and capital assets. These activities generated investing cash inflows of \$14.8 million during the first nine months of 2000 and \$75.9 million during the same period in 1999. Additionally, during the first nine months of 1999, we used \$32.5 million of cash to provide short-term financing on sales of facilities. We collected that cash in early 2000. We estimate that capital expenditures, including the capital expenditures of eFunds, will be approximately \$90.0 to \$100.0 million in 2000.

Cash used in financing activities was \$46.1 million during the first nine months of 2000 and \$285.6 million during the same period in 1999. During the first nine months of 1999, we used cash of \$216.7 million to repurchase our common stock. Additionally, we used cash of \$116.0 million during the first nine months of 2000 and \$95.9 million during the first nine months of 1999 to repay debt and pay dividends to shareholders. The primary sources of cash from financing activities were the sale of approximately 12% of eFunds shares to the public in June 2000 and the issuance of shares to employees under our stock purchase plan. The sale of eFunds common stock provided cash of \$64.5 million in 2000. Common stock issued to employees generated financing cash inflows of \$6.5 million during the first nine months of 2000 and \$25.7 million during the same period in 1999. Additionally, during the first nine months of 1999, we had net short-term borrowings of \$1.4 million.

As of September 30, 2000, we had committed lines of credit for \$450.0 million available for borrowing and as support for commercial paper. The average amount drawn on these lines during the first nine months of 2000 was \$25.0 million at a weighted-average interest rate of 6.26%. As of September 30, 2000, no amounts were outstanding under these lines of credit. 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%. As of September 30, 2000, we had \$25.0 million of commercial paper outstanding at a weighted-average interest rate of 6.54%. The average amount of commercial paper outstanding during the first nine months of 2000 was \$6.2 million at a weighted-average interest rate of 6.57%. No commercial paper was issued during 1999.

We also had a \$10.0 million credit facility, denominated in Indian rupees, available to our Indian operations at the lender's prime interest rate. Borrowings under this facility are due on demand. This facility is guaranteed by us and this guarantee is collateralized by a \$10.0 million time deposit account maintained by us with the lending bank. The maturity date

of this deposit is December 28, 2000, at which time the collateral may be renewed or replaced by agreement of both parties. The average amount drawn on this line during the first nine months of 2000 was \$4.6 million at a weighted-average interest rate of 15.77%. As of September 30, 2000, \$4.9 million was outstanding at an interest rate of 15.77%. The average amount drawn on this line during 1999 was \$2.7 million at a weighted-average interest rate of 15.81%. As of December 31, 1999, \$3.1 million was outstanding at an interest rate of 15.81%.

We had uncommitted bank lines of credit of \$40.0 million available at variable interest rates. The average amount drawn on these lines of credit during the first nine months of 2000 was \$44 thousand at a weighted-average interest rate of 6.38%. The average amount drawn on these lines of credit during 1999 was \$1.5 million at a weighted-average interest rate of 5.12%. As of September 30, 2000 and December 31, 1999, no amounts were outstanding under these lines of credit.

We have a shelf registration in place for the issuance of up to \$300.0 million in medium-term notes. These notes could be used for general corporate

purposes, including working capital, capital expenditures, possible acquisitions and repayment or repurchase of our outstanding indebtedness and securities. As of September 30, 2000 and December 31, 1999, no notes were issued or outstanding under this shelf registration.

Outlook/Recent Developments

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, which provides guidance on accounting for derivatives and hedge transactions. This statement is effective for us on January 1, 2001. We anticipate that the effect of this pronouncement will not have a material impact on our reported operating results or financial position.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS, which provides guidance in applying generally accepted accounting principles to revenue recognition in financial statements. Application of this SAB did not have a material impact on our reported operating results or financial position.

In August 2000, we announced an e-commerce growth strategy that is intended to leverage the personalization and information management competencies from our core check printing business into other profitable revenue growth opportunities. This strategy involves increased expense and investment in the development of Internet commerce capabilities for both new ventures and existing infrastructure. We expect to continue these expenditures into 2001 to create additional opportunities to offer new types of customized products to individuals and small businesses and to enhance our Internet ordering capabilities.

One outcome of our e-commerce growth strategy was PlaidMoon.com, an Internet-based business concept that allowed consumers to design and purchase personalized items. In October 2000, we announced that we are scaling back and repositioning our PlaidMoon.com business concept within our Paper Payment Systems segment. Instead of being a stand-alone business as had been planned, PlaidMoon.com will be folded into existing businesses. The PlaidMoon.com web site will be inactive while it is being repositioned. We are currently evaluating to what extent the long-lived assets and employees of this business will be utilized by the Company's Paper Payment Systems segment. It is possible that this evaluation could result in asset impairment and restructuring charges in the fourth quarter of 2000.

As we move into 2001, we intend to focus on retaining our existing customers and obtaining new customers in the direct channel. We intend to invest in our core check business to retain our financial institution customer base. At the same time we will target new customers by offering higher levels of quality and service than our competitors. In the direct checks business, we plan to increase promotional spending to obtain new customers.

In October 2000, we announced that by the beginning of 2001 we will begin outsourcing the eFunds segment's consumer voice inquiry operations relating to Chex Systems records. Approximately 300 eFunds employees are impacted by this decision. Although some of these employees may not find other positions within eFunds, we do not expect to record a significant restructuring charge in the fourth quarter of 2000 as a result of this initiative.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

As of September 30, 2000, we had an investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of \$43.5 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, we have the ability to hold these fixed income investments until maturity and therefore would not expect to recognize an adverse impact on income or cash flows.

We operate internationally, and so we are subject to potentially adverse movements in foreign currency rate changes. We have not entered into foreign exchange forward contracts to reduce our exposure to foreign currency rate changes on intercompany foreign currency denominated balance sheet positions. As of September 30, 2000, we have borrowed \$4.9 million on a line of credit denominated in Indian rupees. The rupee-denominated funds borrowed are used exclusively by the business within India to pay for expenses denominated in Indian rupees.

We are exposed to foreign exchange risk to the extent of adverse fluctuations in the Indian rupee and British pound. We do not believe that a change in the Indian rupee or British pound exchange rates of 10% would result in a material impact on our future earnings, financial position or cash flows. Historically, the effect of movements in these exchange rates has been immaterial to our consolidated results.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its annual shareholders' meeting on August 4, 2000.

59,636,620 shares were represented (82.46% of the 72,322,238 shares outstanding and entitled to vote at the meeting). Four items were considered at the meeting and the results of the voting were as follows:

1. Election of Directors:

The nominees listed in the proxy statement were: John A. Blanchard III, Lawrence J. Mosner, Barbara B. Grogan, Stephen P. Nachtsheim, Calvin W. Aurand, Jr., Donald R. Hollis, Robert C. Salipante, Ronald E. Eilers. The results were as follows:

Election of Directors -----	For ---	Withhold -----
John A. Blanchard III	53,064,561	6,572,059
Lawrence J. Mosner	53,283,420	6,353,200
Barbara B. Grogan	53,305,749	6,330,871
Stephen P. Nachtsheim	53,325,033	6,311,587
Calvin W. Aurand, Jr.	53,302,392	6,334,228
Donald R. Hollis	53,318,556	6,318,064
Robert C. Salipante	52,696,061	6,940,559
Ronald E. Eilers	53,307,899	6,328,721

2. Adoption of the Deluxe Corporation 2000 Annual Incentive Plan:

For:	41,312,593
Against:	17,285,432
Abstain:	1,038,595

3. Adoption of the Deluxe Corporation 2000 Stock Incentive Plan:

For:	35,411,767
Against:	23,191,244
Abstain:	1,033,609

4. Ratification of the selection of Deloitte & Touche LLP as independent auditors:

For:	59,007,979
Against:	343,792
Abstain:	284,849

Item 5. Other Information

RISK FACTORS AND CAUTIONARY STATEMENTS.

When used in this Quarterly Report on Form 10-Q 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 Amendment No. 2 to its Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2000.

Earnings Estimates. 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 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. 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 and services, when evaluating the Company's prospective results of operations.

In addition, representatives of the Company may occasionally comment publicly 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.

Separation of eFunds. The Company has announced that it plans to distribute all of its shares of eFunds common stock to its shareholders through a spin-off transaction rather than by an exchange offer, or split-off, as had been previously announced. The 40 million shares of eFunds common stock currently owned by the Company will now be distributed on a designated distribution date to every Deluxe shareholder of record on a designated record date. Each shareholder will receive a fixed number of eFunds shares for each Deluxe share owned. The Company has requested confirmation from the Internal Revenue Service (IRS) that the spin-off will be tax-free to the Company and to its shareholders for U.S. federal income tax purposes. The Company has the sole discretion to determine whether to proceed with the spin-off and to determine the timing and other aspects of the transaction. Subject to these conditions, the Company plans to complete the separation of eFunds on or before December 31, 2000. However, the timing of the proposed spin-off and may be affected by actions of the IRS and, assuming the Company receives the desired confirmation that the spin-off will be tax-free to the Company and to its shareholders for U.S. federal income tax purposes, completion of the spin-off could occur during 2001 rather than during the fourth quarter of 2000. The timing of the spin-off, if consummated, could have an adverse impact on the Company's ability to meet profitability and operating earnings targets. Once the split-off occurs, the results of eFunds will no longer be included in the Company's consolidated results of operations. Additionally, the Company will incur additional costs associated with the separation and spin-off of eFunds. These costs will be expensed in future periods and may adversely affect the Company's ability to achieve expected levels of profitability.

The Company's intentions with respect to eFunds are subject to further risks and uncertainties, including the ability of eFunds to successfully manage and complete the integration of three businesses into eFunds, the potential that the separation

of the two companies may disrupt one or more of Deluxe's businesses and customer relationships, and the uncertainty of obtaining confirmation from the IRS, which is a necessary condition of the spin-off. There can be no assurance that the separation of the Company and eFunds will result in increased value to the Company's shareholders for many reasons, including prevailing market conditions and potential dispositions by holders of the common stock of either company following the spin-off or that the separation will achieve the desired levels of

efficiency or cost savings in the Company's operations.

The Company cannot be certain that the spin-off will be completed. If the Company does not complete the separation of eFunds, it will continue to control eFunds and the Company and eFunds may not realize the anticipated benefits from the separation of the two companies.

Tax Risks Associated with the Spin-Off of eFunds. The Company has requested confirmation from the IRS that, for U.S. federal income tax purposes, the spin-off will be generally tax-free to the Company and to its shareholders. This confirmation, if received, will be premised on a number of representations and undertakings made by Deluxe and eFunds to the IRS, including representations with respect to each company's intention not to engage in certain transactions in the future. The spin-off may be held to be taxable to the Company and to its shareholders who receive eFunds shares if the IRS determines that any of the representations made are incorrect or untrue in any respect, or if any undertakings made are not complied with. If the Company completes the spin-off and, notwithstanding such confirmation, the spin-off is held to be taxable, both the Company and its shareholders who receive eFunds shares could be subject to a material amount of taxes. eFunds will be liable to the Company for any such taxes incurred by the Company to the extent such taxes are attributable to specific actions or failures to act by eFunds, or to specific transactions involving eFunds following the spin-off. In addition, eFunds will be liable to the Company for a portion of any taxes incurred by the Company if the spin-off fails to qualify as tax-free as a result of a retroactive change of law or other reason unrelated to the action or inaction of either eFunds or the Company. eFunds may not, however, have adequate funds to perform its indemnification obligations. Further, eFunds indemnification obligations are only for the benefit of the Company and not individual shareholders.

Recent Strategic Initiatives. The Paper Payment Systems segment is developing and evaluating plans and launching initiatives for future growth. These plans and initiatives will involve increased expense and investment in the development of Internet commerce capabilities for both new ventures and existing infrastructure. There can be no assurance that the amount of this investment will not exceed the Company's expectations and result in materially increased levels of expense. Also, as these Internet commerce initiatives involve new technologies and business methods, are dependent on product and service innovations and serve new or developing markets, there is no assurance that they will achieve targeted revenue, profit or cash flow levels or result in positive returns on the Company's investment. Further, Internet commerce is rapidly evolving and there is no assurance that the Company's products and services will achieve acceptance or be competitive with the current or future offerings of existing or emerging competitors. Internet commerce is also a recent phenomenon and may not continue to expand as a medium of commerce.

One of the outcomes of this e-commerce strategy was PlaidMoon.com, an Internet-based business concept that allowed consumers to design and purchase personalized items. The Company has announced that it is scaling back and repositioning its PlaidMoon.com business concept within its Paper Payment Systems segment. Instead of being a standalone business as had been planned, PlaidMoon.com will be folded into existing businesses. The PlaidMoon.com web site will be inactive while it is being repositioned. There can be no assurance that PlaidMoon.com, when repositioned within the Company's other operations, will achieve desired levels of revenue, profit or cash flow or that reductions in costs associated with the scaling back or repositioning of PlaidMoon.com or the suspension of its operations will favorably affect future financial results.

Acquisitions. The Company may consider undertaking one or more significant acquisitions. The Company cannot predict whether any acquired products, services, technologies or businesses will contribute to its revenues or earnings to any material extent. Additionally, a significant acquisition could result in the potentially dilutive issuance of equity securities, the incurrence of contingent liabilities or debt, or additional amortization expense relating to goodwill and other intangible assets, and thus, could adversely affect the Company's business, results of operations and financial condition. Additionally, the success of any acquisition would depend upon the Company's ability to effectively integrate the acquired businesses into the Company. The process of integrating acquired businesses may involve numerous risks, including, among others: difficulties in assimilating operations and products; diversion of management's attention from other business concerns; risks of operating businesses in which the Company has limited or no direct prior experience; potential loss of key employees of acquired

businesses or of the Company; potential exposure to unknown liabilities; and possible loss of customers of the Company or of the acquired businesses.

Tax Limitations on Issuance or Acquisitions of the Company's Shares. The Company may be limited in the amount of the Company's shares that it can acquire or issue because the acquisition or issuance of the Company's shares may cause the planned spin-off of eFunds to be taxable to the Company under Section 355(e)

of the Internal Revenue Code. As a result of such possible adverse tax consequences, following the spin-off, the Company may be restricted in its ability to effect certain acquisitions, to issue or repurchase the Company's shares or to enter into other transactions that would result in a change of control of the Company.

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 Gramm-Leach-Bliley Act (the Act) imposes significant new consumer privacy requirements on any entity engaged in the business of providing financial services, including entities that provide services to financial institutions. The Act requires covered companies to develop and implement policies to protect the security and confidentiality of consumers' nonpublic personal information and to disclose these policies to consumers before a customer relationship is established and annually thereafter.

In addition, the Act requires covered companies to give an opt-out notice to consumers before sharing consumer information with third parties. The opt-out notice requirement in the Act is subject to several exceptions for credit reporting and fraud prevention purposes. Although the Company believes these exceptions apply to its eFunds segment, government agencies could interpret their regulations in a manner that could expand the scope of the Act in ways which could adversely affect eFunds' businesses. In addition, uncertainty over the scope of the regulations could make financial institutions unwilling to share consumer-related information with the Company.

Regulations promulgated pursuant to the Act may also limit the Company's ability to use its direct checks business data in its other businesses, including the other e-commerce and direct to consumer businesses within the Paper Payment Systems segment. The impact of the Act and regulations issued under the Act could have the effect of increasing the Company's expenses and otherwise foreclosing future business initiatives.

The Act does not prohibit state legislation or regulations that are more restrictive on the collection and use of data. More restrictive legislation or regulations have been introduced in the past and could be introduced in the future in Congress and the states. The Company is unable to predict whether more restrictive legislation or regulations will be adopted in the future. Any future legislation or regulations could have a negative impact on the Company's business, results of operations and prospects.

Laws and regulations may be adopted in the future with respect to the Internet or e-commerce covering issues such as user privacy. New laws or regulations may impede the growth of the Internet. This could decrease traffic to the Company's websites and decrease the demand for the Company's products or services. Additionally, the applicability to the Internet of existing laws governing property ownership, taxation, libel and personal privacy is uncertain and may remain uncertain for a considerable length of time.

Competition. Although the Company believes it is the leading check printer in the United States, it faces considerable competition from other smaller companies in its traditional sales channel to financial institutions, from direct mail sellers of checks and increasingly, from Internet-based sellers of checks. From time to time, some of the Company's competitors have reduced 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 per unit and profitability per unit targets. Similar pressures may result in margin reductions in the future, particularly since the Company does not believe that it can continue to achieve cost reductions of a magnitude similar to those it has achieved in recent years. The Company can provide no assurance that it will

be able to compete effectively against current and future competitors. Continued competition could result in price reductions, reduced margins and loss of customers.

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 primarily sells checks for personal and small business use and believes that there will continue to be a substantial demand for these checks for the foreseeable future. However, according to Company estimates, growth in total checks written by individuals and small businesses, the primary purchasers of the Company's checks, was flat in 1999 and the total number of personal, business and government checks written in the United States has been in decline since 1997. The Company believes that the individual and small business segments of the check industry will eventually decline due to the increasing use of alternative payment methods. However, the rate and the extent to which alternative payment methods will achieve consumer acceptance and replace checks cannot 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 checks and a material adverse effect on the Company's business, results of operations and prospects.

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 financial, technical and marketing resources, greater name recognition and a larger installed customer base than the Company. In addition to current competitors, the Company expects substantial competition from established and new companies as the e-commerce and Internet markets continue to develop and expand. 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 segment, 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. Mergers, acquisitions and personnel changes at financial institutions may adversely affect the Company's business, financial condition and results of operations. Financial institutions have been undergoing large-scale consolidation, causing the number of financial institutions to decline. Margin pressures arise from this consolidation when merged entities seek not only the most favorable prices formerly offered to the predecessor institutions, but also additional discounts due to the greater volume represented by the combined entity. 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 and services 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.

Intellectual Property. Despite efforts by the Company to protect its intellectual property, third parties may infringe or misappropriate the Company's intellectual property or otherwise independently develop substantially equivalent products and services. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm the Company's business and ability to compete. The Company relies on a combination of trademarks, software and know-how. The Company may be required to spend significant resources to protect its trade secrets and monitor and police its intellectual property rights.

Third parties may assert infringement claims against the Company in the future. In particular, there has been a substantial increase in the issuance of patents for Internet-related systems and business methods, which may have broad implications for participants in Internet commerce. Claims for infringement of these patents are increasingly becoming a

subject of litigation. If the Company becomes subject to an infringement claim, it may be required to modify its products, services and technologies or obtain a license to permit its continued use of those rights. The Company may not be able to do either of these things in a timely manner or upon reasonable terms and conditions. Failure to do so could seriously harm the Company's business, operating results and prospects as a result of lost business, increased expense or being barred from offering its products or implementing its systems or other

business methods. In addition, future litigation relating to infringement claims could result in substantial costs to the Company and a diversion of management resources. Adverse determinations in any litigation or proceeding could also subject the Company to significant liabilities and could prevent the Company from using or offering some of its products, services or technologies.

Software Defects, Development Delays and Installation Difficulties. All of the Company's businesses use sophisticated software and computing systems. Additionally, the Company's eFunds segment often encounters delays when developing new products and services. The software underlying eFunds' products and services has occasionally contained and may in the future contain undetected errors or defects when first introduced or when new versions are released. The Company may experience difficulties in installing or integrating its technologies on platforms used by its customers or in new environments, such as the Internet. Errors or delays in the processing of check orders or electronic transactions or other difficulties could result in lost customers, delay in market acceptance, additional development costs, diversion of technical and other resources, negative publicity or exposure to liability claims.

Although the eFunds segment attempts to limit its potential liability for warranty claims through disclaimers and limitation-of-liability provisions in its license and client agreements, the Company cannot be certain that these measures will be successful in limiting its liability.

Conditions in India. The Company's eFunds segment employs approximately 680 people in India in its software development and business process management facilities. Political and economic conditions in India could adversely affect the Company's operations.

The Company's Indian software development and business process management operations qualify for certain tax incentives. Such incentives generally provide us with a complete exemption from Indian tax on business income generated through these facilities through the end of 2008. The Company cannot be certain that these tax benefits will be continued in the future at their current levels or at all. If these tax benefits were reduced or eliminated, the Company's taxes in future periods would likely increase.

Increased Production and Delivery Costs. The Company's contracts with financial institution customers typically have a term of several years or more and do not allow the Company to pass through increased production costs to the financial institutions. Increases in production costs such as labor and paper could adversely affect the Company's profitability. In addition, events such as the 1997 United Parcel Services strike can also adversely impact the Company's margins by imposing higher delivery costs. Competitive pressures may have the effect of inhibiting the Company's ability to reflect these increased costs 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 could result in production delays and loss of business.

Environmental Matters. The Company's check printing plants are subject to many existing and proposed federal and state regulations designed to protect the environment. In some instances, the Company has owned and operated its check printing plants prior to the enactment of environmental regulations. The Company has sold former check printing plants to third parties and in most instances has agreed to indemnify the current owner of the facility for on-site environmental liabilities. Although the Company is not aware of any fact or circumstance which would require the future expenditure of material amounts for environmental compliance, if environmental liabilities are discovered at its check printing plants, it could be required to spend material amounts for environmental compliance in the future.

Sales and Other Taxes. In accordance with current federal, state and local tax laws, and the constitutional limitations thereon, the Company currently collects sales, use or similar taxes in state and local jurisdictions where the Company's direct checks and business forms businesses have a physical presence. One or more state or local jurisdictions may seek to impose sales tax collection obligations on the Company and other out-of-state companies which engage in remote or online commerce. Further, tax laws and the interpretation of constitutional limitations thereon, are subject to change. In addition, any new operations of these businesses in states where they do not presently have a

physical presence could subject shipments of goods by these businesses into such states to sales tax under current or future laws. If one or more state or local jurisdictions successfully assert that the Company must collect sales or other taxes beyond its current practice, it could have a material adverse affect on the Company's business.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of this report:

Exhibit No. -----	Description -----	Method of Filing -----
2.1	Initial Public Offering and Distribution Agreement, dated as of March 31, 2000, by and between Deluxe and eFunds (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-1 filed by eFunds with the Securities and Exchange Commission (the "Commission") on April 4, 2000, Registration No. 333-33992).	*
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3(A) 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 to 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 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 for the year ended December 31, 1997).	*
4.4	Credit Agreement, dated as of August 30, 1999 (the "August 30, 1999 Credit Agreement"), among the Company, Bank of America, N.A. as the sole and exclusive administrative agent, and the other financial institution party thereto related to a \$500,000,000 revolving credit agreement (incorporated by reference to Exhibit 4.4 to the September 1999 10-Q).	*
4.5	Amendment No. 1 to Amended and Restated Rights Agreement, entered into as of January 21, 2000, between the Company and Norwest Bank Minnesota, National Association as Rights Agent (incorporated by reference to Exhibit 4.1 to the Company's Amendment No. 1 to its Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2000).	*
10.1	Deluxe Corporation 2000 Annual Incentive Plan	Filed herewith
10.2	Deluxe Corporation 2000 Stock Incentive Plan	Filed herewith
10.3	Deluxe Corporation 2000 Employee Stock	Filed herewith

Purchase Plan

10.4	Extension of the August 30, 1999 Credit Agreement, entered into as of August 14, 2000.	Filed herewith
10.5	Amendment to Amended and Restated Credit Agreement dated July 8, 1997, entered into as of August 14, 2000.	Filed herewith
10.6	Severance agreement with Ronald E. Eilers dated August 19, 1998.	Filed herewith
12.4	Statement re: computation of ratios	Filed herewith
27.6	Financial Data Schedule for the nine months ended September 30, 2000	Filed herewith

*Incorporated by reference

(b) Reports on Form 8-K: None

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SIGNATURES

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

DELUXE CORPORATION
(Registrant)

Date: November 8, 2000

/s/ J. A. Blanchard III

J.A. Blanchard III, President
and Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2000

/s/ Lois M. Martin

Lois M. Martin
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

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INDEX TO EXHIBITS

Exhibit No. -----	Description -----	Page Number -----
10.1	Deluxe Corporation 2000 Annual Incentive Plan	
10.2	Deluxe Corporation 2000 Stock Incentive Plan	
10.3	Deluxe Corporation 2000 Employee Stock Purchase Plan	
10.4	Extension of the August 30, 1999 Credit Agreement, entered into as of August 14, 2000	
10.5	Amendment to Amended and Restated Credit Agreement dated July 8, 1997, entered into as of August 14, 2000	
10.6	Severance agreement with Ronald E. Eilers dated August 19, 1998	
12.4	Statement re: computation of ratios	
27.6	Financial Data Schedule for the Nine Months Ended September 30, 2000	

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DELUXE CORPORATION
2000
ANNUAL INCENTIVE PLAN
(AS ADOPTED JANUARY 28, 2000)

1. ESTABLISHMENT. On January 28, 2000 the Board of Directors of Deluxe Corporation, upon recommendation by the Compensation Committee of the Board of Directors, approved an incentive plan for executives as described herein, which plan shall be known as the "Deluxe Corporation 2000 Annual Incentive Plan." This Plan shall be submitted for approval by the shareholders of Deluxe Corporation at the 2000 Annual Meeting of Shareholders. This Plan shall be effective as of January 1, 2001, subject to its approval by the shareholders, and no benefits shall be issued pursuant thereto until after this Plan has been approved by the shareholders.

2. PURPOSE. The purpose of this Plan is to advance the interests of Deluxe Corporation and its shareholders by attracting and retaining key employees, and by stimulating the efforts of such employees to contribute to the continued success and growth of the business of the Company. This Plan is further intended to provide employees with an opportunity to increase their ownership of the Company's common stock and, thereby, to increase their personal interest in the long-term success of the business in a manner designed to increase shareholder value.

3. DEFINITIONS. When the following terms are used herein with initial capital letters, they shall have the following meanings:

3.1. BASE SALARY - a Participant's annualized base salary, as determined by the Committee, as of the last day of a Performance Period.

3.2. COMPENSATION COMMITTEE - a committee of the Board of Directors of the Company designated by such Board to administer the Plan which shall consist of members appointed from time to time by the Board of Directors and shall be composed of not fewer than such number of directors as shall be required to permit grants and awards made under the Plan to satisfy the requirements of Rule 16b-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "1934 Act"), as amended, or any successor rule or regulation ("Rule 16b-3"). Each member of the Compensation Committee shall be a "Non-Employee Director" within the meaning of Rule 16b-3 and an "outside director" within the meaning of Section 162(m) of the Code.

3.3. CODE - the Internal Revenue Code of 1986, as it may be amended from time to time, and any proposed, temporary or final Treasury Regulations promulgated thereunder.

3.4. COMMON STOCK - the common stock, par value \$1.00 per share, of the Company.

3.5. COMPANY - Deluxe Corporation, a Minnesota corporation, and any of its subsidiaries or affiliates, whether now or hereafter established.

3.6. DELUXE - Deluxe Corporation, a Minnesota corporation, and all subsidiaries included in its consolidated financial reports for a given period.

3.7. EXECUTIVES - all Participants for a given Performance Period designated by the Compensation Committee as "Executives" for purposes of this Plan. The Compensation Committee shall designate as Executives all Participants it reasonably believes may be "named executive officers" under Rule 402 promulgated under the 1934 Act for that Performance Period.

3.8. MAXIMUM AWARD PERCENTAGE - a percentage, which may be greater or less than 100%, as determined by the Committee for each Participant with respect to each Performance Period and with respect to each Performance Factor.

3.9. OTHER PARTICIPANTS - all Participants for a given Performance Period who are not designated as "Executives" by the Compensation Committee for such Performance Period.

3.10. PARTICIPANTS - any management or highly compensated employees of the Company who are designated by the Compensation Committee prior to the start of a Performance Period as Participants in this Plan. Directors of the Company who are not also employees of the Company are not eligible to participate in the Plan. Participants shall be designated as either Executives or Other Participants by the Compensation Committee as provided in Section 4.3 below.

3.11. PERFORMANCE FACTOR - the pre-established, objective performance

goals selected by the Committee for each Participant with respect to each Performance Period and which shall be determined solely on account of the attainment of one or more pre-established, objective performance goals selected by the Committee in connection with the grant of an award hereunder; provided, however, that in the case of Other Participants, such performance goals need not be objective and may be based on such business criteria as the Committee may determine to be appropriate, which may include financial and nonfinancial performance goals that are linked to such individual's business unit or the Company as a whole or to such individual's areas of responsibility. The objective performance goals for Executives shall be based solely on one or more of the following business criteria, which may apply to the individual in question, an identifiable business unit or the Company as a whole, and on an annual or other periodic or cumulative basis: sales values, margins, volume, cash flow, stock price, market share, sales, earnings per share, profits, earnings before interest expense and taxes, earnings before interest expense, interest income and taxes, earnings before interest expense, taxes, and depreciation and/or amortization, earnings before interest expense, interest income, taxes, and depreciation and/or amortization, return on equity or costs, return on invested or average capital employed, or cumulative total return to stockholders (in each case, whether compared to pre-selected peer groups or not).

3.12. PERFORMANCE PERIOD - each consecutive twelve-month period commencing on January 1 of each year during the term of this Plan.

3.13. PLAN - this Deluxe Corporation 2000 Annual Incentive Plan.

3.14. STOCK INCENTIVE PLAN - The Deluxe Corporation 2000 Stock Incentive Plan.

3.15. TARGET AWARD - a dollar amount or a percentage of Base Salary, which may be greater or less than 100%, as determined by the Committee with respect to each Participant for each Performance Period.

3.16. UNITS - Restricted Stock Units, as defined in the Stock Incentive Plan.

4. ADMINISTRATION.

4.1. POWER AND AUTHORITY OF COMPENSATION COMMITTEE. The Plan shall be administered by the Compensation Committee. The Compensation Committee shall have full power and authority, subject to all the applicable provisions of the Plan and applicable law, to (a) establish, amend, suspend or waive such rules and regulations and appoint such agents as it deems necessary or advisable for the proper administration of the Plan, (b) construe, interpret and administer the Plan and any instrument or agreement relating to the Plan, (c) determine, from

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time to time, whether shares of Common Stock and/or Units will be made available to Participants under the Plan, and (d) make all other determinations and take all other actions necessary or advisable for the administration of the Plan. Unless otherwise expressly provided in the Plan, each determination made and each action taken by the Compensation Committee pursuant to the Plan or any instrument or agreement relating to the Plan shall be (x) within the sole discretion of the Compensation Committee, (y) may be made at any time and (z) shall be final, binding and conclusive for all purposes on all persons, including, but not limited to, Participants and their legal representatives and beneficiaries, and employees of the Company.

4.2 DELEGATION. The Compensation Committee may delegate its powers and duties under the Plan to one or more officers of the Company or a committee of such officers, subject to such terms, conditions and limitations as the Compensation Committee may establish in its sole discretion; provided, however, that the Compensation Committee shall not delegate its power (a) to make determinations regarding officers or directors of the Company who are subject to Section 16 of the 1934 Act; or (b) in such a manner as would cause the Plan not to comply with the provisions of Section 162(m) of the Code.

4.3. DETERMINATIONS MADE PRIOR TO EACH PERFORMANCE PERIOD. On or before the 90th day of each Performance Period, the Compensation Committee shall:

(a) designate all Participants (including designation as Executives or Other Participants) for such Performance Period;

(b) establish a Target Award for each Participant;

(c) with respect to each Participant, establish one or more Performance Factors and a corresponding Maximum Award Percentage for each Performance Factor;

4.4. CERTIFICATION. Following the close of each Performance Period and

prior to payment of any amount to any Participant under the Plan, the Committee must certify in writing which of the applicable Performance Factors for that Performance Period (and the corresponding Maximum Award Percentages) have been achieved and certify as to the attainment of all other factors upon which any payments to a Participant for that Performance Period are to be based.

4.5. SHAREHOLDER APPROVAL. The material terms of this Plan shall be disclosed to and approved by shareholders of the Company in accordance with Section 162(m) of the Code. No amount shall be paid to any Participant under this Plan unless such shareholder approval has been obtained.

5. INCENTIVE PAYMENT.

5.1. FORMULA. Each Participant shall receive an incentive payment for each Performance Period in an amount not greater than:

(a) the Participant's Target Award for the Performance Period, multiplied by

(b) the Participant's Maximum Award Percentage for the Performance Period that corresponds to the Performance Factor achieved by the Participant for that Performance Period.

5.2. LIMITATIONS.

(a) DISCRETIONARY INCREASE OR REDUCTION. The Compensation Committee shall retain sole and absolute discretion to increase or reduce the amount of any incentive

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payment otherwise payable to any Participant under this Plan, but may not increase the payment to any Executive for any Performance Period.

(b) CONTINUED EMPLOYMENT. Except as otherwise provided by the Compensation Committee, no incentive payment under this Plan with respect to a Performance Period shall be paid or owed to a Participant whose employment terminates prior to the last day of such Performance Period.

(c) MAXIMUM PAYMENTS. No Participant shall receive a payment under this Plan for any Performance Period in excess of \$2.0 million.

6. BENEFIT PAYMENTS.

6.1. TIME AND FORM OF PAYMENTS. Prior to a date specified by the Compensation Committee but in no event later than the 90th day of a Performance Period, each Participant shall elect whether to receive benefits which may be paid under the Plan in cash or in the form of shares of Common Stock or Units (whichever is made available by the Compensation Committee to such Participant in the Compensation Committee's sole discretion) or some combination thereof. Participants who elect to receive some percentage of the incentive payment in the form of cash shall be entitled to elect, at the same time as the cash election is made, to defer such receipt in accordance with the terms of any Company deferred compensation plan in effect at the time and applicable to such cash payment. In the event a Participant has elected to receive some percentage of the incentive payment in the form of cash, and subject to any such deferred compensation election, such cash incentive shall be paid as soon as administratively feasible after the Compensation Committee has made the certifications provided for in Section 4.4 above and otherwise determined the amount of such Participant's incentive payment payable under this Plan. In the event that a Participant chooses to receive some percentage of the incentive payment in the form of shares or Units (as the case may be), in lieu of cash (the "Share Dollar Amount"), the Participant shall be entitled to receive shares of restricted Common Stock (or Units, as the case may be) equal to 125% of the Share Dollar Amount pursuant to this Plan, based on the fair market value of a share of Common Stock (as determined in accordance with the terms of the Stock Incentive Plan, as of the date such shares or Units are to be issued or awarded, respectively, after the Compensation Committee has made the certifications provided for in Section 4.4 above and otherwise determined the amount of a Participant's incentive payment payable under this Plan.

In the event a Participant has elected to receive some percentage of the incentive payment in the form of shares of Common Stock or Units (as the case may be), such shares or Units shall be issued or awarded, respectively, pursuant to the Stock Incentive Plan, which shares or Units shall be subject to such forfeiture rights and to such restrictions regarding transfer as may be established by the Compensation Committee; provided, however, that the individual share limitation provided for in Section 4(d) of the Stock Incentive Plan shall not apply to shares issued under this Plan.

6.2. NONTRANSFERABILITY. Except as otherwise determined by the Compensation Committee, no right to any incentive payment hereunder, whether payable in cash or other property, shall be transferable by a Participant

otherwise than by will or by the laws of descent and distribution; provided however, that if so determined by the Compensation Committee, a Participant may, in the manner established by the Compensation Committee (i) designate a beneficiary or beneficiaries to exercise the rights of the Participant and receive any cash or property hereunder upon the death of the Participant, or (ii) transfer any rights to any cash incentive payment hereunder to any member of such Participant's "immediate family" (as such term is defined in Rule 16a-1(e) promulgated by the Securities and Exchange Commission under the 1934 Act, or any successor rule or regulation) or to a trust whose beneficiaries are members of such Participant's "immediate family." No right to any incentive payment hereunder may be

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pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company.

6.3. TAX WITHHOLDING. In order to comply with all applicable federal or state income, social security, payroll, withholding or other tax laws or regulations, the Compensation Committee may establish such policy or policies as it deems appropriate with respect to such laws and regulations, including without limitation, the establishment of policies to ensure that all applicable federal or state income, social security, payroll, withholding or other taxes, which are the sole and absolute responsibility of the Participant, are withheld or collected from such Participant. In order to assist a Participant in paying all or part of the federal and state taxes to be withheld or collected upon receipt or payment of (or the lapse of restrictions relating to) an incentive payment payable hereunder, the Compensation Committee, in its sole discretion and subject to such additional terms and conditions as it may adopt, may permit the Participant to satisfy such tax obligation by (a) electing to have the Company withhold a portion of the shares of Common Stock otherwise to be delivered upon payment of (or the lapse of restrictions relating to) an incentive payment hereunder with a fair market value equal to the amount of such taxes or (b) delivering to the Company shares of Common Stock other than the shares issuable upon payment of (or the lapse of restrictions relating to) such incentive payment with a fair market value equal to the amount of such taxes.

7. AMENDMENT AND TERMINATION; ADJUSTMENTS. Except to the extent prohibited by applicable law and unless otherwise expressly provided in the Plan:

(a) AMENDMENTS TO THE PLAN. The Board of Directors of the Company may amend, alter, suspend, discontinue or terminate the Plan, without the approval of the shareholders of the Company, except that no such amendment, alteration, suspension, discontinuation or termination shall be made that, absent such approval:

(i) would cause Rule 16b-3 to become unavailable with respect to grants and awards made under the Plan; or

(ii) would violate the rules or regulations of the New York Stock Exchange, any other securities exchange or the National Association of Securities Dealers, Inc. that are applicable to the Company.

(b) WAIVERS OF INCENTIVE PAYMENT CONDITIONS OR RIGHTS. The Compensation Committee may waive any conditions of or rights of the Company under any right to an incentive payment hereunder, prospectively or retroactively.

(c) LIMITATION ON AMENDMENTS TO INCENTIVE PAYMENT RIGHTS. Neither the Compensation Committee nor the Company may amend, alter, suspend, discontinue or terminate any rights to an incentive payment, prospectively or retroactively, without the consent of the Participant or holder or beneficiary thereof, except as otherwise herein provided.

(d) CORRECTION OF DEFECTS, OMISSIONS AND INCONSISTENCIES. The Compensation Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent it shall deem desirable to carry the Plan into effect.

8. MISCELLANEOUS.

8.1. EFFECTIVE DATE. This Plan shall be deemed effective, subject to shareholder approval, as of January 1, 2001.

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8.2. TERM OF THE PLAN. Unless the Plan shall have been discontinued or terminated, the Plan shall terminate on December 31, 2003. No right to receive an incentive payment shall be granted after the termination of the Plan.

However, unless otherwise expressly provided in the Plan, any right to receive an incentive payment theretofore granted may extend beyond the termination of the Plan, and the authority of the Board of Directors and Compensation Committee to amend or otherwise administer the Plan shall extend beyond the termination of the Plan.

8.3. HEADINGS. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

8.4. APPLICABILITY TO SUCCESSORS. This Plan shall be binding upon and inure to the benefit of the Company and each Participant, the successors and assigns of the Company, and the beneficiaries, personal representatives and heirs of each Participant. If the Company becomes a party to any merger, consolidation or reorganization, this Plan shall remain in full force and effect as an obligation of the Company or its successors in interest (except to the extent modified by the terms of the Stock Incentive Plan with respect to the shares of restricted Common Stock issued under Section 6.1 hereof).

8.5. EMPLOYMENT RIGHTS AND OTHER BENEFIT PROGRAMS. The provisions of this Plan shall not give any Participant any right to be retained in the employment of the Company. In the absence of any specific agreement to the contrary, this Plan shall not affect any right of the Company, or of any affiliate of the Company, to terminate, with or without cause, any Participant's employment at any time. This Plan shall not replace any contract of employment, whether oral or written, between the Company and any Participant, but shall be considered a supplement thereto. This Plan is in addition to, and not in lieu of, any other employee benefit plan or program in which any Participant may be or become eligible to participate by reason of employment with the Company. No compensation or benefit awarded to or realized by any Participant under the Plan shall be included for the purpose of computing such Participant's compensation under any compensation-based retirement, disability, or similar plan of the Company unless required by law or otherwise provided by such other plan.

8.6. NO TRUST OR FUND CREATED. This Plan shall not create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any affiliate and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company or any affiliate pursuant to this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company or of any affiliate.

8.7. GOVERNING LAW. The validity, construction and effect of the Plan or any incentive payment payable under the Plan shall be determined in accordance with the laws of the State of Minnesota.

8.8. SEVERABILITY. If any provision of the Plan is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Compensation Committee, materially altering the purpose or intent of the Plan, such provision shall be stricken as to such jurisdiction, and the remainder of the Plan shall remain in full force and effect.

8.9. QUALIFIED PERFORMANCE-BASED COMPENSATION. All of the terms and conditions of the Plan shall be interpreted in such a fashion as to qualify all compensation paid hereunder as "qualified performance-based compensation" within the meaning of Section 162(m) of the Code.

DELUXE CORPORATION 2000 STOCK INCENTIVE PLAN
(AS AMENDED AUGUST 4, 2000)

SECTION 1. PURPOSE.

The purpose of the plan is to promote the interests of the Company and its shareholders by aiding the Company in attracting management personnel capable of assuring the future success of the Company, by offering such personnel incentives to put forth maximum efforts for the success of the Company's business, and by affording such personnel an opportunity to acquire a proprietary interest in the Company.

SECTION 2. DEFINITIONS.

As used in the plan, the following terms shall have the meanings set forth below:

(a) "Affiliate" shall mean (i) any entity that, directly or indirectly through one or more intermediaries, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in each case as determined by the committee.

(b) "Award" shall mean any option, stock appreciation right, restricted stock, restricted stock unit, performance award, dividend equivalent or other stock-based award granted under the plan.

(c) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any award granted under the plan.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(e) "Committee" shall mean a committee of the board of directors of the Company designated by such board to administer the plan, which shall consist of members appointed from time to time by the board of directors and shall be comprised of not fewer than such number of directors as shall be required to permit grants and awards made under the plan to satisfy the requirements of Rule 16b-3. Each member of the committee shall be a "Non-Employee Director" within the meaning of Rule 16b-3 and an "outside director" within the meaning of Section 162(m) of the Code.

(f) "Company" shall mean DELUXE CORPORATION, a Minnesota corporation, and any successor corporation.

(g) "Dividend Equivalent" shall mean any right granted under Section 6(e) of the plan.

(h) "Eligible Person" shall mean a non-employee director and any employee (as determined by the committee) providing services to the Company or any affiliate who the committee determines to be an eligible person.

(i) "Fair Market Value" shall mean, with respect to any property (including, without limitation, any shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the committee.

(j) "Incentive Stock Option" shall mean an option granted under Section 6(a) of the plan that is intended to meet the requirements of Section 422 of the Code or any successor provision.

(k) "Non-Employee Director" shall have the meaning provided in Section 7.1 of the plan.

(l) "Non-Qualified Stock Option" shall mean an option granted under Section 6(a) of the plan that is not intended to be an incentive stock option.

(m) "Option" shall mean an incentive stock option or a non-qualified stock option and shall be deemed to include any reload option issued under the plan.

(n) "Other Stock-Based Award" shall mean any right granted under Section 6(f) of the plan.

(o) "Participant" shall mean an eligible person designated to be granted an award under the plan.

(p) "Performance Award" shall mean any right granted under Section 6(d) of the

plan.

(q) "Person" shall mean any individual, corporation, partnership, association or trust.

(r) "Plan" shall mean this stock incentive plan, as amended from time to time.

(s) "Reload Option" means an option issued under Section 6(a) to purchase a number of shares equal to the number of shares delivered by an option holder (or such lesser number as the committee may determine) in payment of all or any portion of the exercise price of an option previously granted under this plan to such holder, provided that the option term of such option shall not end later than the option term of the option so exercised

(t) "Reload Option Feature" means provisions in an option granted under this plan that permit the holder of the option to receive a reload option upon the exercise of the option through the delivery of shares in payment of all or any portion of the exercise price. A reload option feature may be included in any reload option issued under the plan.

(u) "Restricted Stock" shall mean any share granted under Section 6(c) of the plan.

(v) "Restricted Stock Unit" shall mean any unit granted under Section 6(c) of the plan evidencing the right to receive a share (or a cash payment equal to the fair market value of a share) at some future date.

(w) "Rule 16b-3" shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or any successor rule or regulation.

(x) "Shares" shall mean shares of common stock, \$1.00 par value, of the Company or such other securities or property as may become subject to awards pursuant to an adjustment made under Section 4(c) of the plan.

(y) "Stock Appreciation Right" shall mean any right granted under Section 6(b) of the plan.

SECTION 3. ADMINISTRATION.

(a) POWER AND AUTHORITY OF THE COMMITTEE. The plan shall be administered by the committee. Except as provided in Section 7 and subject to the express provisions of the plan and to applicable law, the committee shall have full power and authority to: (i) designate participants; (ii) determine the type or types of awards to be granted to each participant under the plan; (iii) determine the number of shares to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) each award; (iv) determine the terms and conditions of any award or award agreement; (v) amend the terms and conditions of any award or award agreement and accelerate the exercisability of options or the lapse of restrictions relating to restricted stock or other awards; (vi) determine whether, to what extent and under what circumstances awards may be exercised in cash, shares, other securities, other awards or other property, or canceled, forfeited or suspended; (vii) determine whether, to what extent and under what circumstances cash, shares, other securities, other awards, other property and other amounts payable with respect to an award under the plan shall be deferred either automatically or at the election of the holder thereof or the committee; (viii) interpret and administer the plan and any instrument or agreement relating to, or award made under, the plan; (ix) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the plan; and (x) make any other determination and take any other action that the committee deems necessary or desirable for the administration of the plan. Unless otherwise expressly provided in the plan, all designations, determinations, interpretations and other decisions under or with respect to the plan or any award shall be within

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the sole discretion of the committee, may be made at any time and shall be final, conclusive and binding upon any participant, any holder or beneficiary of any award and any employee of the Company or any affiliate.

(b) DELEGATION. The committee may delegate its powers and duties under the plan to one or more officers of the company or an affiliate or a committee of such officers, subject to such terms, conditions and limitations as the committee may establish in its sole discretion; provided, however, that the committee shall not delegate its powers and duties under the plan (i) with regard to officers or directors of the Company or any affiliate who are subject to Section 16 of the Securities Exchange Act of 1934, as amended, if the effect of such delegation would make the exemption under Rule 16b-3 unavailable or (ii) in such a manner as would cause the plan not to comply with the requirements of Section 162(m) of the Code.

SECTION 4. SHARES AVAILABLE FOR AWARDS.

(a) SHARES AVAILABLE. Subject to adjustment as provided in Section 4(c), the number of shares available for granting awards under the plan shall be 3,000,000. Shares to be issued under the plan may be either shares reacquired or authorized but unissued shares. If any shares covered by an award or to which an award relates are not purchased or are forfeited, or if an award otherwise terminates without delivery of any shares, then the number of shares counted against the aggregate number of shares available under the plan with respect to such award, to the extent of any such forfeiture or termination, shall again be available for grants under the plan. Shares delivered in payment of the option exercise price of an option containing a reload option feature shall again be available for granting awards under the plan (other than incentive stock options) to the extent that the number of shares so delivered are made subject to an option granted pursuant to the said reload option feature. Shares delivered in payment of the option exercise price of an option not containing a reload option feature shall again be available for granting awards under the plan (other than incentive stock options) to the extent that the number of shares so delivered are made subject to an option granted pursuant to section 6(a)(v).

(b) ACCOUNTING FOR AWARDS. For purposes of this Section 4, if an award entitles the holder thereof to receive or purchase shares, the number of shares covered by such award or to which such award relates shall be counted on the date of grant of such award against the aggregate number of shares available for grants under the plan.

(c) ADJUSTMENTS. In the event that the committee shall determine that any dividend or other distribution (whether in the form of cash, shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares or other securities of the Company, issuance of warrants or other rights to purchase shares or other securities of the Company or other similar corporate transaction or event affects the shares such that an adjustment is determined by the committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the plan, then the committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of shares (or other securities or other property) which thereafter may be made the subject of awards, (ii) the number and type of shares (or other securities or other property) subject to outstanding awards and (iii) the purchase or exercise price with respect to any award; provided, however, that the number of shares covered by any award or to which such award relates shall always be a whole number.

(d) AWARDS LIMITATION UNDER THE PLAN. No eligible person may be granted any award or awards under the plan (including the Company's performance share plan) of more than 400,000 shares, in the aggregate, in any calendar year. The foregoing limitation shall not include any shares acquired pursuant to the annual incentive plan. Furthermore, no more than 1,000,000 shares, in the aggregate, may be issued under the plan in the form of either restricted stock or restricted stock units or any combination thereof.

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SECTION 5. ELIGIBILITY.

Any eligible person, including any eligible person who is an officer or director of the Company or any affiliate, shall be eligible to be designated a participant. In determining which eligible persons shall receive an award and the terms of any award, the committee may take into account the nature of the services rendered by the respective eligible persons, their present and potential contributions to the success of the Company, and such other factors as the committee, in its discretion shall deem relevant. Notwithstanding the foregoing, incentive stock options may only be granted to full or part-time employees (which term as used herein includes, without limitation, officers and directors who are also employees) and an incentive stock option shall not be granted to an employee of an affiliate unless such affiliate is also a "subsidiary corporation" of the Company within the meaning of Section 424(f) of the Code or any successor provision.

SECTION 6. AWARDS.

(a) OPTIONS. The committee is hereby authorized to grant options to participants with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the plan as the committee shall determine:

- (i) EXERCISE PRICE. The purchase price per share purchasable under an option shall be determined by the committee; provided, however, that such purchase price shall not be less than 100 percent of the fair market value of a share on the date of grant of such option and provided further, that in no event shall options previously granted under this Plan be re-priced by reducing the exercise price thereof,

nor shall options previously granted under this Plan be cancelled and replaced by a subsequent re-grant under this Plan of options having an exercise price lower than the options so cancelled.

- (ii) OPTION TERM. The term of each option shall be fixed by the committee.
- (iii) TIME AND METHOD OF EXERCISE. The committee shall determine the time or times at which an option may be exercised in whole or in part and the method or methods by which, and the form or forms (including, without limitation, cash, shares, promissory notes, other securities, other awards or other property, or any combination thereof, having a fair market value on the exercise date equal to the relevant exercise price) in which, payment of the exercise price with respect thereto may be made or deemed to have been made.
- (iv) RELOAD OPTION FEATURE. The committee may determine, in its discretion, whether to grant an option containing a reload option feature and whether any reload option issued upon the exercise of an option containing a reload option feature may itself contain a reload option feature.
- (v) ISSUANCE OF OPTIONS TO REPLACE SHARES. The committee may determine, in its discretion, whether to grant to a participant who exercises by delivery of shares in payment of all or any portion of the exercise price an option, previously or hereafter granted under the plan, that does not contain a reload option feature, an option to acquire the number of shares so delivered (or such lesser number as the committee may determine), provided that the option term of such option shall not end later than the option term of the option so exercised.

(b) STOCK APPRECIATION RIGHTS. The committee is hereby authorized to grant stock appreciation rights to participants subject to the terms of the plan and any applicable award agreement. A stock appreciation right granted under the plan shall confer on the holder thereof a right to receive upon exercise thereof the excess of (i) the fair market value of one share on the date of exercise (or, if the committee shall so determine, at any time during a specified period before or after the date of exercise) over (ii) the grant price of the stock appreciation right as specified by the committee, which price shall not be less than 100 percent of the fair market value of one share on the date of grant of the stock appreciation right. Subject to the terms of the plan and any

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applicable award agreement, the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions of any stock appreciation right shall be as determined by the committee. The committee may impose such conditions or restrictions on the exercise of any stock appreciation right as it may deem appropriate.

(c) RESTRICTED STOCK AND RESTRICTED STOCK UNITS. The committee is hereby authorized to grant awards of restricted stock and restricted stock units to participants with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the plan as the committee shall determine:

- (i) RESTRICTIONS. Shares of restricted stock and restricted stock units shall be subject to such restrictions as the committee may impose (including, without limitation, any limitation on the right to vote a share of restricted stock or the right to receive any dividend or other right or property with respect thereto or with respect to a restricted stock unit), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the committee may deem appropriate.
- (ii) STOCK CERTIFICATES. Any restricted stock granted under the plan may be evidenced by issuance of a stock certificate or certificates or by the creation of a book entry at the Company's transfer agent. Any such certificate or certificates shall be held by the Company. Such certificate or certificates or book entry shall be registered in the name of the participant and any such certificate or certificates shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such restricted stock. A similar notation shall be made in the records of the transfer agent with respect to any shares evidenced by a book entry. In the case of restricted stock units, no shares shall be issued at the time such awards are granted.
- (iii) FORFEITURE; DELIVERY OF SHARES. Except as otherwise determined by the committee or provided in a plan governed by this Plan, upon termination of employment (as determined under criteria established by the committee) or, in the case of a director, service as a

director during the applicable restriction period, all shares of restricted stock and all restricted stock units at such time subject to restriction shall be forfeited and reacquired by the Company; provided, however, that the committee may, when it finds that a waiver would be in the best interest of the Company, waive in whole or in part any or all remaining restrictions with respect to shares of restricted stock or restricted stock units. Any share representing restricted stock that is no longer subject to restrictions shall be delivered to the holder thereof promptly after the applicable restrictions lapse or are waived. Upon the lapse or waiver of restrictions and the restricted period relating to restricted stock units evidencing the right to receive shares, such shares shall be issued and delivered to the holders of the restricted stock units, subject to the provisions of the plan and any applicable award agreement.

(d) PERFORMANCE AWARDS. The committee is hereby authorized to grant performance awards to participants subject to the terms of the plan and any applicable award agreement. A performance award granted under the plan (i) may be denominated or payable in cash, shares (including, without limitation, restricted stock and restricted stock units), other securities, other awards or other property and (ii) shall confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of such performance goals during such performance periods as the committee shall establish. Subject to the terms of the plan and any applicable award agreement, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any performance award granted, the amount of any payment or transfer to be made pursuant to any performance award, and any other terms and conditions of any performance award shall be determined by the committee.

(e) DIVIDEND EQUIVALENTS. The committee is hereby authorized to grant to participants dividend equivalents under which such participants shall be entitled to receive payments (in cash, shares, other securities, other awards or other property as determined in the discretion of the committee)

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equivalent to the amount of cash dividends paid by the Company to holders of shares with respect to a number of shares determined by the committee. Subject to the terms of the plan and any applicable award agreement, such dividend equivalents may have such terms and conditions as the committee shall determine.

(f) OTHER STOCK-BASED AWARDS. The committee is hereby authorized to grant to participants such other awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares (including, without limitation, securities convertible into shares), as are deemed by the committee to be consistent with the purpose of the plan; provided, however, that such grants must comply with Rule 16b-3 and applicable law. Subject to the terms of the plan and any applicable award agreement, the committee shall determine the terms and conditions of such awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 6(f) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms (including, without limitation, cash, shares, promissory notes, other securities, other awards or other property or any combination thereof), as the committee shall determine, the value of which consideration, as established by the committee, shall not be less than 100 percent of the fair market value of such shares or other securities as of the date such purchase right is granted.

(g) GENERAL

- (i) NO CASH CONSIDERATION FOR AWARDS. Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.
- (ii) AWARDS MAY BE GRANTED SEPARATELY OR TOGETHER. Awards may, in the discretion of the committee, be granted either alone or in addition to, in tandem with, or in substitution for any other award or any award granted under any plan of the Company or any affiliate other than the plan. Awards granted in addition to or in tandem with other awards or in addition to or in tandem with awards granted under any such other plan of the Company or any affiliate, may be granted either at the same time as or at a different time from the grant of such other award or awards.
- (iii) FORMS OF PAYMENTS UNDER AWARDS. Subject to the terms of the plan and of any applicable award agreement, payments or transfers to be made by the Company or an affiliate upon the grant, exercise or payment of an award may be made in such form or forms as the committee shall determine (including, without limitation, cash, shares, promissory notes, other securities, other awards or other property or any combination thereof), and may be made in a single payment or transfer, in installments or on a deferred basis, in each case in

accordance with rules and procedures established by the committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of dividend equivalents with respect to installment or deferred payments.

- (iv) LIMITS ON TRANSFER OF AWARDS. No award and no right under any such award shall be transferable by a participant otherwise than by will or by the laws of descent and distribution; provided, however, that if so determined by the committee, a participant may, in the manner established by the committee, (x) designate a beneficiary or beneficiaries to exercise the rights of the participant and receive any property distributable with respect to any award upon the death of the participant, or (y) transfer an award (other than an incentive stock option) to any member of such participant's "immediate family" (as such term is defined in Rule 16a-1(e) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or any successor rule or regulation) or to a trust whose beneficiaries are members of such participant's "immediate family." Each award or right under any award shall be exercisable during the participant's lifetime only by the participant, or by a member of such participant's immediate family or a trust for members of such

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immediate family pursuant to a transfer as described above, or if permissible under applicable law, by the participant's guardian or legal representative. No award or right under any such award may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any affiliate.

- (v) TERM OF AWARDS. The term of each award shall be for such period as may be determined by the committee.
- (vi) RESTRICTIONS; SECURITIES EXCHANGE LISTING. All certificates for shares or other securities delivered under the plan pursuant to any award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the committee may deem advisable under the plan or the rules, regulations and other requirements of the Securities and Exchange Commission and any applicable federal or state securities laws, and the committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. If the shares or other securities are traded on a securities exchange, the Company shall not be required to deliver any shares or other securities covered by an award unless and until such shares or other securities have been admitted for trading on such securities exchange.
- (vii) ATTESTATION. Where the plan or any applicable award agreement provides for or permits delivery of shares by a participant in payment with respect to any award or grant under this plan or for taxes, such payment may be made constructively through attestation in the discretion of and in accordance with rules established by the committee.

SECTION 7. AWARDS TO NON-EMPLOYEE DIRECTORS.

7.1 ELIGIBILITY; ONE-TIME AWARD. If this plan is approved by the shareholders of the Company at the annual meeting of the shareholders in 2000 (the 2000 annual meeting), each member of the board of directors who is not an employee of the Company or of any affiliate of the Company (a non-employee director) who is elected to the board subsequent to December 31, 2000 shall, upon the date of his or her initial election to the board, receive an award of 1,000 shares of restricted stock. These shares shall vest in three equal installments, on the dates of the annual shareholder meeting in each of the three succeeding years, if such director remains in office immediately following such meeting. In the event that in accordance with the Company's policy with respect to mandatory retirement of directors, any director is not nominated for election to serve as a director of the Company, all restricted stock so awarded shall immediately vest in full upon such director's retirement from the board. If a director ceases to be a director prior to the date on which the award is fully vested for any reason other than mandatory retirement, any unvested portion of the award shall terminate and be irrevocably forfeited. Such awards shall be subject to Sections 6(c), 9 and 10 of this plan. The authority of the committee under this Section 7 shall be limited to ministerial and non-discretionary matters.

7.2 STOCK COMPENSATION. Each non-employee director shall be eligible to receive or elect to receive his or her fees for service on the Company's board of directors and the committees thereof in shares or restricted stock units and

to defer the receipt of such units, all as described in the Deluxe Corporation Non-Employee Director Stock and Deferral Plan attached hereto as Annex I and hereby made a part hereof.

7.3 AMENDMENTS TO SECTION 7. The provisions of this Section 7 may not be amended more often than once every six months other than to comply with changes in the Code or the Employee Retirement Income Security Act of 1974, as amended, or the respective rules promulgated under either statute.

SECTION 8. AMENDMENT AND TERMINATION; ADJUSTMENTS.

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an award agreement or in the plan:

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(a) AMENDMENTS TO THE PLAN. The board of directors of the Company may amend, alter, suspend, discontinue or terminate the plan; provided, however, that, notwithstanding any other provision of the plan or any award agreement, without the approval of the shareholders of the Company, no such amendment, alteration, suspension, discontinuation or termination shall be made that, absent such approval:

- (i) would cause Rule 16b-3 to become unavailable with respect to grants and awards made under the plan;
- (ii) would violate the rules or regulations of the New York Stock Exchange, any other securities exchange or the National Association of Securities Dealers, Inc., that are applicable to the Company; or
- (iii) would cause the Company to be unable, under the Code, to grant incentive stock options under the plan.

The board of directors shall be entitled to delegate to the committee the power to amend such terms of the plan and for such purposes as the board of directors shall from time to time determine.

(b) WAIVERS. The committee may waive any conditions of or rights of the Company under any outstanding award, prospectively or retroactively.

(c) LIMITATIONS ON AMENDMENTS. Neither the committee nor the Company may amend, alter, suspend, discontinue or terminate any outstanding award, prospectively or retroactively, without the consent of the participant or holder or beneficiary thereof, except as otherwise provided herein or in the award agreement.

(d) CORRECTION OF DEFECTS, OMISSIONS AND INCONSISTENCIES. The committee may correct any defect, supply any omission or reconcile any inconsistency in the plan or any award in the manner and to the extent it shall deem desirable to carry the plan into effect.

SECTION 9. INCOME TAX WITHHOLDING.

In order to comply with all applicable federal or state income tax laws or regulations, the committee may establish such policy or policies as it deems appropriate with respect to such laws and regulations, including without limitation the establishment of policies to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a participant, are withheld or collected from such participant. In order to assist a participant in paying all or a portion of the federal and state taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an award, the committee, in its discretion and subject to such additional terms and conditions as it may adopt, may permit the participant to satisfy such tax obligation by (i) electing to have the Company withhold a portion of the payment or transfer otherwise to be made upon exercise or receipt of (or the lapse of restrictions relating to) such award with a fair market value equal to the amount of such taxes or (ii) delivering to the Company shares or other property other than shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such award with a fair market value equal to the amount of such taxes. The election, if any, must be on or before the date that the amount of tax to be withheld is determined.

SECTION 10. GENERAL PROVISIONS.

(a) NO RIGHTS TO AWARDS. No eligible person, participant or other person shall have any claim to be granted any award under the plan, and there is no obligation for uniformity of treatment of eligible persons, participants or holders or beneficiaries of awards under the plan. The terms and conditions of awards need not be the same with respect to any participant or with respect to different participants.

(b) AWARD AGREEMENTS. No participant will have rights under an award granted to such participant unless and until an award agreement shall have been duly executed on behalf of the Company and, if requested by the Company, signed by the participant.

(c) NO LIMIT ON OTHER COMPENSATION ARRANGEMENTS. Nothing contained in the plan shall prevent the Company or any affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(d) NO RIGHT TO EMPLOYMENT. The grant of an award shall not be construed as giving a participant the right to be retained in the employ of the Company or any affiliate, nor will it affect in any way the right of the Company or the affiliate to terminate such employment at any time, with or without cause. In addition, the Company or an affiliate may at any time dismiss a participant from employment free from any liability or any claim under the plan, unless otherwise expressly provided in the plan or in any award agreement.

(e) GOVERNING LAW. The validity, construction and effect of the plan or any award, and any rules and regulations relating to the plan or any award, shall be determined in accordance with the laws of the State of Minnesota.

(f) SEVERABILITY. If any provision of the plan or any award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the plan or any award under any law deemed applicable by the committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the committee, materially altering the purpose or intent of the plan or the award, such provision shall be stricken as to the plan or such jurisdiction or award, and the remainder of the plan or any such award shall remain in full force and effect.

(g) NO TRUST OR FUND CREATED. Neither the plan nor any award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any affiliate and a participant or any other person. To the extent that any person acquires a right to receive payments from the Company or any affiliate pursuant to an award, such right shall be no greater than the right of any unsecured general creditor of the Company or any affiliate.

(h) NO FRACTIONAL SHARES. No fractional shares shall be issued or delivered pursuant to the plan or any award, and the committee shall determine whether cash shall be paid in lieu of any fractional shares or whether such fractional shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(i) HEADINGS. Headings are given to the sections and subsections of the plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the plan or any provision thereof.

(j) OTHER BENEFITS. No compensation or benefit awarded to or realized by any participant under the plan shall be included for the purpose of computing such participant's compensation under any compensation-based retirement, disability, or similar plan of the Company unless required by law or otherwise provided by such other plan.

SECTION 11. SECTION 16(b) COMPLIANCE.

The plan is intended to comply in all respects with Rule 16b-3 or any successor provision, as in effect from time to time and in all events the plan shall be construed in accordance with the requirements of Rule 16b-3. If any plan provision does not comply with Rule 16b-3 as hereafter amended or interpreted, the provision shall be deemed inoperative. The board of directors, in its absolute discretion, may bifurcate the plan so as to restrict, limit or condition the use of any provision of the plan to participants who are officers or directors subject to Section 16 of the Securities and Exchange Act of 1934, as amended, without so restricting, limiting or conditioning the plan with respect to other participants.

SECTION 12. EFFECTIVE DATE OF THE PLAN.

The plan shall be effective as of January 1, 2001, subject to approval by the shareholders of the Company, either prior to such date or within one year thereafter.

SECTION 13. TERM OF THE PLAN.

Unless the plan shall have been discontinued or terminated as provided in Section 8(a), the plan shall terminate on December 31, 2003. No award shall be granted after the termination of the plan, provided that nothing herein shall be construed to limit the issuance of options pursuant to an option containing a reload option feature or the provisions of section 6(a)(v). However, unless otherwise expressly provided in the plan or in an applicable award agreement, any award theretofore granted may extend beyond the termination of the plan, and the authority of the committee provided for hereunder with respect to the plan and any awards, and the authority of the board of directors of the Company to amend the plan, shall extend beyond the termination of the plan.

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ANNEX I

DELUXE CORPORATION
NON-EMPLOYEE DIRECTOR STOCK AND DEFERRAL PLAN
("PLAN")

1. Purpose of the Plan. The purpose of the Deluxe Corporation Non-Employee Director Stock and Deferral Plan (the "Plan") is to provide an opportunity for non-employee members of the Board of Directors (the "Board") of Deluxe Corporation ("Deluxe" or the "Company") to increase their ownership of Deluxe Common Stock, \$1.00 par value ("Common Stock"), and thereby align their interest in the long-term success of the Company with that of the other shareholders. This will be accomplished by allowing each participating director to elect voluntarily to receive all or a portion of his or her Retainer (as hereinafter defined) in the form of shares of Common Stock and to allow each of them to defer the receipt of such shares until a later date pursuant to elections made by him or her under this Plan.

2. Eligibility. Directors of the Company who are not also officers or other employees of the Company or its subsidiaries are eligible to participate in this Plan ("Eligible Directors").

3. Administration. This Plan will be administered by or under the direction of the Secretary of the Company (the "Administrator"). Since the issuance of shares of Common Stock pursuant to this Plan is based on elections made by Eligible Directors, the Administrator's duties under this Plan will be limited to matters of interpretation and administrative oversight. All questions of interpretation of this Plan will be determined by the Administrator, and each determination, interpretation or other action that the Administrator makes or takes pursuant to the provisions of this Plan will be conclusive and binding for all purposes and on all persons. The Administrator will not be liable for any action or determination made in good faith with respect to this Plan.

4. Election to Receive Stock and Stock Issuance.

4.1. Election to Receive Stock in Lieu of Cash. On forms provided by the Company and approved by the Administrator, each Eligible Director may irrevocably elect ("Stock Election") to receive, in lieu of cash, shares of Common Stock having a Fair Market Value, as defined in Section 4.6, equal to 50% or more of the annual cash retainer and all meeting fees (including all committee retainers and meeting fees, the "Retainer") payable to that director for services rendered as a director. From and after January 1, 2001, all Eligible Directors will be deemed to have made such a Stock Election to receive shares of Common Stock with respect to no less than 50% of such Retainer and shall be deemed to be a participating director under this Plan ("Participating Director") to at least such extent. Except as provided in the preceding sentence, to be effective, any Stock Election must be filed with the Company (the date of such filing being the date of such election) no later than May 31 of each year (or by such other date as the Administrator shall determine) and shall apply only with respect to services as a director provided for the period of July 1 of that year through June 30 of the year following ("Fiscal Year"); provided, however, that an Eligible Director whose initial election to the Board of Directors occurs after May 31, shall have 30 days following such election to make a Stock Election, which shall apply only with respect to services as a director provided following the filing of such Stock Election with the Company during the then current or the ensuing Fiscal Year, as specified in the Stock Election. Following the implementation of the Plan upon the expiration of the existing Deluxe Corporation Non-Employee Director Stock and Deferral Plan, effective as of October 31, 1997, Eligible Directors shall continue to be bound by the Stock Elections previously made by them for the Fiscal

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Year ending June 30, 2001 with respect to their services as a director during the period from January 1, 2001 through June 30, 2001. In the event that an Eligible Director shall fail to file with the Company the required form for making a Stock Election, such director shall be deemed to have made the same

Stock Election that such director made with respect to the then current Fiscal Year, or in the absence of having made such Stock Election, to have elected to receive 50% of his or her Retainer in cash and 50% in Common Stock, and such election will be deemed to have been made on (i) May 31 in any year with respect to the ensuing Fiscal Year as aforesaid and (ii) the thirtieth day following initial election to the Board of new directors with respect to the current Fiscal Year only unless such date is within the period of May 31 through June 30 of that Fiscal Year, in which event the election shall be deemed made for both the current and next following Fiscal Years. Any Stock Election made in accordance with the provisions of this Section 4.1 shall be irrevocable for the period to which such election applies.

4.2. Issuance of Stock in Lieu of Cash. Shares of Deluxe Common Stock having a Fair Market Value equal to the amount of the Retainer so elected shall (i) be issued to each Participating Director or (ii) at the Participating Director's election pursuant to Section 4.3, be credited to such director's account (a "Deferred Stock Account"), on March 15, June 15, September 15 and December 15 for the calendar quarter ending on the last day of each such month (each such payment date, a "Payment Date"). The Company shall not issue fractional shares. Whenever, under the terms of this Plan, a fractional share would be required to be issued, the Company will round the number of shares (up or down) to the nearest integer. In the event that a Participating Director elects to receive less than 100% of each quarterly installment of the Retainer in shares of Common Stock (or Stock Units as defined and provided in Section 4.4), that Participating Director shall receive the balance of the quarterly installment in cash.

4.3. Manner of Making Deferral Election. A Participating Director may elect to defer payment of the Retainer otherwise payable in shares of Common Stock pursuant to this Plan by filing (the date of such filing being the date of such election), no later than May 31 of each year (or by such other date as the Administrator shall determine) with respect to payments in the ensuing Fiscal Year, an irrevocable election with the Administrator on a form (the "Deferral Election Form") provided by the Administrator for that purpose ("Deferral Election"). Any portion of the Retainer to be paid in cash may not be deferred pursuant to the Plan. The special Stock Election rules set forth in Section 4.1 with respect to new directors and continuing elections under the Plan during 2001 shall also apply to the corresponding Deferral Elections. Failure timely to file a Deferral Election shall conclusively be deemed to mean that no election to defer has been made for the applicable period. The Deferral Election shall be effective for the Retainer payable (i) during the ensuing Fiscal Year with respect to elections made on or before May 31 of each year as aforesaid and (ii) for the portion of the Fiscal Year after the date the Deferral Election is made or the ensuing Fiscal Year as specified in the Deferral Election with respect to Deferral Elections made by new directors. Any Deferral Election made in accordance with the provisions of this Section shall be irrevocable for the period to which such election applies. The Deferral Election form shall specify the amount to be deferred expressed as a percentage of the Participating Director's Retainer.

4.4. Credits to Deferred Stock Account for Elective Deferrals. On each Payment Date, a Participating Director who has made a then effective Deferral Election shall receive a credit in the form of restricted stock units ("Stock Units") to his or her Deferred Stock Account. Each Stock Unit shall represent the right to receive one share of Common Stock. The number of Stock Units credited to a Participating Director's Deferred Stock Account shall be determined by dividing an amount equal to the Participating Director's Retainer payable on the Payment Date for the current calendar quarter and specified for deferral pursuant to Section 4.3, by the Fair Market Value of a share of Common Stock on such Payment Date. If that computation would result in a fractional Stock Unit being credited to a Participating Director's Deferred Stock Account, the Company will round the number of Stock Units so credited (up or down) to the nearest integer.

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4.5. Dividend Equivalent Payments. Each time a dividend is paid on the Common Stock, the Participating Director who has a Deferred Stock Account shall receive a dividend equivalent payment on the dividend payment date equal to the amount of the dividend payable on a single share of Common Stock multiplied by the number of Stock Units credited to the Participating Director's Deferred Stock Account on the dividend record date.

4.6. Fair Market Value. The Fair Market Value of each share of Common Stock shall be equal to the closing price of one share of Common Stock on the New York Stock Exchange ("NYSE") on the relevant date as reported by the WALL STREET JOURNAL, MIDWEST EDITION; provided that if, on such date, the NYSE is not open for business or there are no shares of Common Stock traded on such date, the Fair Market Value of a share of Common Stock shall be equal to the closing price of one share of Common Stock on the first day preceding such date on which the NYSE is open for business and has reported trades in the Common Stock.

4.7. Termination of Service as a Director. If a Participating Director

leaves the Board before the conclusion of any quarter of a Fiscal Year, he or she will be paid the quarterly installment of the Retainer entirely in cash or Common Stock on the applicable Payment Date in accordance with such Participating Director's then effective Stock Election, notwithstanding that a Deferral Election is on file with the Company. The date of termination of a Participating Director's service as a director of the Company will be deemed to be the date of termination recorded on the personnel or other records of the Company.

5. Shares Available for Issuance. This Plan constitutes part of the Deluxe Corporation 2000 Stock Incentive Plan, as amended from time to time (the "SIP"), and is subject to the terms and conditions of the SIP. Any shares of Common Stock issued under this Plan shall be issued pursuant to the terms and conditions of the SIP, and any such shares so issued shall be subject to the limits set forth in the SIP, including, without limiting the generality of the foregoing, the limits contained in Section 4(a) of the SIP.

6. Deferral Payment.

6.1. Deferral Payment Election. At the time of making the Deferral Election and as a part thereof, each Participating Director shall make and file with the Company, a deferral payment election on the Deferral Election Form specifying one of the payment options described in Section 6.2. If a Participating Director fails to make a deferral payment election at the time any Deferral Election is made in accordance with this Plan, the Participating Director shall conclusively be deemed to have elected to receive the Common Stock represented by the Stock Units earned during the period covered by the Deferral Election in a lump sum payment at the time of the Participating Director's termination of service on the Board as provided in Section 6.2. The deferral payment election shall be irrevocable as to all amounts credited to the Participating Director's Deferred Stock Account during the period covered by the relevant Deferral Election.

6.2. Payment of Deferred Stock Accounts in a Lump Sum. Stock Units credited to a Participating Director's Deferred Stock Account shall be converted to an equal number of shares of Common Stock and issued in full to the Participating Director on the earlier of the tenth anniversary of February 1 of the year following the Participating Director's termination of service on the Board (or the first business day thereafter) or such other date as elected by the Participating Director by making a deferral payment election in accordance with the provisions of Section 6.1. All payments shall be made in whole shares of Common Stock (rounded as necessary to the nearest integer). Notwithstanding the foregoing, in the event of a Change of Control (as defined in Section 12), Stock Units credited to a Participating Director's Deferred Stock Account as of the business day immediately prior to the effective date of the transaction constituting the Change of Control shall be converted to an equal number of shares of Common Stock (rounded as necessary to the nearest integer) and issued in full to the Participating Director in whole shares of Common Stock on such date.

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6.3. Payment to Estate. In the event that a Participating Director shall die before full distribution of his or her Deferred Stock Account, any shares that issue therefrom shall be issued to such Director's estate or beneficiaries, as the case may be.

7. Holding Period. All shares of Common Stock issued under this Plan, including shares that are issued as a result of distributions of a Participating Director's Deferred Stock Account, shall be held by the Participating Director receiving such shares for a minimum period of six months from the date of issuance or such longer period as may be required for compliance with Rule 16b-3, as amended or any successor rule ("Rule 16b-3"), promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Administrator may, in his or her discretion, require that shares of Common Stock issued pursuant to this Plan contain a suitable legend restricting trading in such shares during such holding period.

8. Limitation on Rights of Eligible and Participating Directors.

8.1. Service as a Director. Nothing in this Plan will interfere with or limit in any way the right of the Company's Board or its shareholders not to nominate for re-election, elect or remove an Eligible or Participating Director from the Board. Neither this Plan nor any action taken pursuant to it will constitute or be evidence of any agreement or understanding, express or implied, that the Company or its Board or shareholders have retained or will retain an Eligible or Participating Director for any period of time or at any particular rate of compensation.

8.2. Nonexclusivity of the Plan. Nothing contained in this Plan is intended to affect, modify or rescind any of the Company's existing compensation plans or programs or to create any limitations on the power of the Company's officers or Board to modify or adopt compensation arrangements as they or it may

from time to time deem necessary or desirable.

9. Plan Amendment, Modification and Termination. The Board may suspend or terminate this Plan at any time. The Board may amend this Plan from time to time in such respects as the Board may deem advisable in order that this Plan will conform to any change in applicable laws or regulations or in any other respect that the Board may deem to be in the Company's best interests; provided, however, that no amendments to this Plan will be effective without approval of the Company's shareholders, if shareholder approval of the amendment is then required to exempt issuance or crediting of shares of Common Stock or Stock Units from Section 16 of the Exchange Act under Rule 16b-3, or pursuant to the rules of the New York Stock Exchange.

10. Effective Date and Duration of the Plan. This Plan shall become effective on January 1, 2001 and shall continue, unless terminated by action of the Board, until the expiration or termination of the SIP, provided that the expiration or termination of this Plan shall not affect any rights of Participating Directors with respect to their Deferral Accounts which shall continue to be governed by the provisions of this Plan until the final distribution of all Deferral Accounts established under this Plan.

11. Participants are General Creditors of the Company. The Participating Directors and beneficiaries thereof shall be general, unsecured creditors of the Company with respect to any payments to be made pursuant to this Plan and shall not have any preferred interest by way of trust, escrow, lien or otherwise in any specific assets of the Company. If the Company shall, in fact, elect to set aside monies or other assets to meet its obligations hereunder (there being no obligation to do so), whether in a grantor's trust or otherwise, the same shall, nevertheless, be regarded as a part of the general assets of the Company subject to the claims of its general creditors, and neither any Participating Director nor any beneficiary thereof shall have a legal, beneficial or security interest therein.

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

A. Any Person (other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates) representing 25% or more of the combined voting power of the Company's then outstanding securities; or

B. During the period from the effective date of this Plan until final distribution to all Participating Directors of their Deferred Stock Accounts, individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a Person who has acquired securities of the Company or entered into an agreement with the Company to effect a transaction constituting a Change of Control as described in paragraphs (A), (C) or (D) of this Section 12) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

C. The shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (a) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 51% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person acquires more than 40% of the combined voting power of the Company's then outstanding securities; or

D. The shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

E. For the purposes of this Section 12, the following terms shall have definitions ascribed herein to them:

- (i) "Person" shall have the meaning defined in Sections 3(a)(9) and 13(d) of the Securities Exchange.

- (ii) "Beneficial Owner" shall have the meaning defined in Rule 13d-3 promulgated under the Exchange Act.
- (iii) "Affiliate" shall mean a company controlled directly or indirectly by the Company, where "control" shall mean the right, either directly or indirectly, to elect a majority of the directors thereof without the consent or acquiescence of any third party.

13. Miscellaneous.

13.1 Securities Law and Other Restrictions. Notwithstanding any other provision of this Plan or any Stock Election or Deferral Election delivered pursuant to this Plan, the Company will not be required to issue any shares of Common Stock under this Plan and a Participating Director may not sell, assign, transfer or otherwise dispose of shares of Common Stock issued

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pursuant to this Plan, unless (a) there is in effect with respect to such shares a registration statement under the Securities Act of 1933, as amended (the "Securities Act") and any applicable state securities laws or an exemption from such registration under the Securities Act and applicable state securities laws, and (b) there has been obtained any other consent, approval or permit from any other regulatory body that the Administrator, in his or her sole discretion, deems necessary or advisable. The Company may condition such issuance, sale or transfer upon the receipt of any representations or agreements from the parties involved, and the placement of any legends on certificates representing shares of Common Stock, as may be deemed necessary or advisable by the Company, in order to comply with such securities law or other restriction.

13.2. Governing Law. The validity, construction, interpretation, administration and effect of this Plan and any rules, regulations and actions relating to this Plan will be governed by and construed exclusively in accordance with the laws of the State of Minnesota.

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DELUXE CORPORATION
2000
EMPLOYEE STOCK PURCHASE PLAN
(AMENDED AS OF MAY 1, 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 an 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

AMENDMENT TO CREDIT AGREEMENT

THIS AMENDMENT TO CREDIT AGREEMENT (this "Amendment Agreement"), dated as of August 14, 2000, is made among DELUXE CORPORATION, a Minnesota corporation (the "Company"), the financial institutions listed on the signature pages hereof under the heading "THE BANKS" (each a "Bank" and, collectively, the "Banks") and Bank of America, N.A. (formerly known as Bank of America National Trust and Savings Association), as administrative agent for itself and the Banks (in such capacity, the "Agent").

The Company, the Banks and the Agent are parties to an Amended and Restated Credit Agreement dated as of July 8, 1997 (as in effect as of the date of this Amendment Agreement, the "Credit Agreement"). The Company has requested that the Banks agree to certain amendments of the Credit Agreement, and the Banks are willing to agree to such request, subject to the terms and conditions of this Amendment Agreement.

Accordingly, the parties hereto agree as follows:

SECTION 1 Definitions; Interpretation.

(a) Terms Defined in Credit Agreement. All capitalized terms used in this Amendment Agreement (including in the Recitals hereof) and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

(b) Interpretation. The rules of interpretation set forth in Section 1.02 of the Credit Agreement shall be applicable to this Amendment Agreement and are incorporated herein by this reference.

SECTION 2 Amendments to the Credit Agreement. The Credit Agreement shall be amended as set forth in this Section 2, effective as of the date of satisfaction of the conditions set forth in Section 3 hereof (the "Effective Date").

(a) Amendments. The Credit Agreement shall be amended as follows:

(i) Section 7.02(c) is amended by deleting the word "and" from the end thereof.

(ii) The existing Section 7.02(d) is redesignated as Section 7.02(e). The existing Section 7.02(d) is further amended by changing the reference therein to "subsections 7.02(a) through (c)" to read "subsections 7.02(a) through (d)".

(iii) A new Section 7.02(d) is inserted to read as follows:

"(d) dispositions by the Company of common stock of eFunds Corporation to Company shareholders, pursuant to an exchange offer (in which shares of the Company are exchanged for shares of eFunds Corporation) and spin-off or in-kind dividend of any remaining eFund shares, as described generally in that S-1/A

Registration Statement of eFunds Corporation filed with the SEC on or about June 23, 2000, and pursuant to an S-4 Registration Statement of eFunds Corporation to be filed with the SEC (together, the "Exchange Offer Transaction"); and".

(iv) Section 7.06(b) is amended by deleting the word "and" from the end thereof.

(v) The existing Section 7.06(c) is redesignated as Section 7.06(d).

(vi) A new Section 7.06(c) is inserted to read as follows:

"(c) make distributions by the Company to

its shareholders of common stock of eFunds Corporation pursuant to the Exchange Offer Transaction; and".

(b) References Within Credit Agreement. Each reference in the Credit Agreement to "this Agreement" and the words "hereof," "herein," "hereunder," or words of like import, shall mean and be a reference to the Credit Agreement as amended by this Amendment Agreement.

SECTION 3 Conditions of Effectiveness. The effectiveness of this Amendment Agreement shall be subject to the satisfaction of each of the following conditions precedent:

(a) Executed Amendment Agreement. The Agent shall have received an executed counterpart of this Amendment Agreement from each of the Company and the Majority Banks.

(b) Additional Closing Documents and Actions. The Agent shall have received, in form and substance satisfactory to the Agent, a certificate of a Responsible Officer of the Company dated the Effective Date stating that (A) the representations and warranties contained in Section 4 hereof are true and correct on and as of the Effective Date, and (B) on and as of the Effective Date, after giving effect to the amendment of the Credit Agreement contemplated hereby, no Default or Event of Default shall have occurred and be continuing.

(c) Corporate Authority. The Agent shall have received, in form and substance satisfactory to the Agent, evidence of the authority of each officer of the Company executing and delivering this Amendment Agreement.

(d) Additional Documents. The Agent shall have received, in form and substance satisfactory to the Agent, such additional approvals, documents and other information as the Agent or any Bank (through the Agent) may reasonably request.

For purposes of determining compliance with the foregoing conditions specified in this Section 3, each of the Banks that has executed this Amendment Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Agent to such Banks for consent, approval, acceptance or satisfaction, or required hereunder to be consented to or approved by or acceptable or satisfactory to, such Bank.

2.

SECTION 4 Representations and Warranties. To induce the Agent and the Banks to enter into this Amendment Agreement, the Company hereby confirms and restates, as of the date hereof, the representations and warranties made by it in Article V of the Credit Agreement. For the purposes of this Section 4, (i) each reference in Article V of the Credit Agreement to "this Agreement," and the words "hereof," "herein," "hereunder," or words of like import in such Section, shall mean and be a reference to the Credit Agreement as amended by this Amendment Agreement, and each reference in such Section to "the Loan Documents" shall mean and be a reference to the Loan Documents as amended hereby, (ii) the representation and warranty set forth in Section 5.11 of the Credit Agreement shall be deemed instead to refer to the last day of the most recent fiscal quarter and fiscal year for which financial statements have then been delivered, and (iii) any representations and warranties which relate solely to an earlier date shall not be deemed confirmed and restated as of the date hereof (provided that such representations and warranties shall be true, correct and complete as of such earlier date).

SECTION 5 Miscellaneous.

(a) Notice. The Agent shall notify the Company and the Banks of the occurrence of the Effective Date and thereafter distribute to the Company and the Banks copies of all documents delivered under Section 3.

(b) Credit Agreement Otherwise Not Affected. Except as expressly amended and restated pursuant hereto, the Credit Agreement shall remain unchanged and in full force and effect and is hereby ratified and confirmed in all respects. The Banks' and the Agent's execution and delivery of, or acceptance of, this Amendment Agreement and any other documents and instruments in connection herewith shall not be deemed to create a course of dealing or otherwise create any express or implied duty by any of them to provide any other or further amendments, consents or waivers in the future.

(c) No Reliance By Company. The Company hereby acknowledges and confirms to the Agent and the Banks that the Company is executing this Amendment Agreement on the basis of its own investigation and for its own reasons without reliance upon any agreement, representation, understanding or communication by or on behalf of any other Person.

(d) Costs and Expenses. The Company agrees to pay to the Agent on demand the reasonable out-of-pocket costs and expenses of the Agent, and the

reasonable fees and disbursements of counsel to the Agent, in connection with the negotiation, preparation, execution and delivery of this Amendment Agreement and any other documents to be delivered in connection herewith.

(e) Binding Effect. This Amendment Agreement shall be binding upon, inure to the benefit of and be enforceable by the Company, the Agent and each Bank and their respective successors and assigns.

(f) Governing Law. THIS AMENDMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

3.

(g) Complete Agreement; Amendments. This Amendment Agreement, together with the other Amendment Documents and the other Loan Documents, contains the entire and exclusive agreement of the parties hereto and thereto with reference to the matters discussed herein and therein. This Amendment Agreement supersedes all prior commitments, drafts, communications, discussion and understandings, oral or written, with respect thereto. This Amendment Agreement may not be modified, amended or otherwise altered except in accordance with the terms of Section 10.01 of the Credit Agreement.

(h) Severability. Whenever possible, each provision of this Amendment Agreement shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Amendment Agreement shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Amendment Agreement, or the validity or effectiveness of such provision in any other jurisdiction.

(i) Counterparts. This Amendment Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

(j) Interpretation. This Amendment Agreement is the result of negotiations among, and has been reviewed by, counsel to the Agent, the Company and the other parties hereto and are the product of all parties hereto. Accordingly, this Amendment Agreement shall not be construed against any of the Banks or the Agent merely because of the Agent's or any Bank's involvement in the preparation thereof.

(k) Loan Documents. This Amendment Agreement shall constitute a Loan Document.

[SIGNATURE PAGES FOLLOW.]

4.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment Agreement, as of the date first above written.

THE COMPANY

DELUXE CORPORATION

By: _____
Name:
Title:

THE AGENT

BANK OF AMERICA, N.A. (formerly
known as Bank of America National Trust
and Savings Association), as Agent

By: _____
Name: Matthew A. Gabel
Title: Vice President

THE BANKS

BANK OF AMERICA, N.A. (formerly
known as Bank of America National Trust
and Savings Association), as a Bank

By: _____

Name: Kenneth J. Beck
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION

By: _____

Name:
Title:

5.

THE BANK OF NEW YORK

By: _____

Name:
Title:

WELLS FARGO BANK, N.A. (formerly
known as Norwest Bank Minnesota,
National Association)

By: _____

Name:
Title:

WACHOVIA BANK, N.A.

By: _____

Name:
Title:

BANK ONE, N.A.

By: _____

Name:
Title:

6.

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement"), dated as of August 14, 2000, is made among DELUXE CORPORATION, a Minnesota corporation (the "Company"), the financial institutions listed on the signature pages hereof under the heading "THE BANKS" (each a "Bank" and, collectively, the "Banks"), and Bank of America, N.A., as administrative agent for itself and the Banks (in such capacity, the "Agent").

The Company, the Banks and the Agent are parties to a Credit Agreement dated as of August 30, 1999 (the "Credit Agreement"). The Company has requested that the Banks agree to an amendment and restatement of the Credit Agreement in order to (i) extend the Revolving Termination Date thereunder, (ii) and to amend certain covenants contained therein.

The parties hereto desire to amend the Credit Agreement as set forth in this Agreement and to restate the Credit Agreement in its entirety to read as set forth in the Credit Agreement with the amendments specified below.

Accordingly, the parties hereto agree as follows:

SECTION 1 Definitions; Interpretation.

(a) Terms Defined in Credit Agreement. All capitalized terms used in this Agreement (including in the Recitals hereof) and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

(b) Interpretation. The rules of interpretation set forth in Section 1.02 of the Credit Agreement shall be applicable to this Agreement and are incorporated herein by this reference.

SECTION 2 Amendments to the Credit Agreement.

(a) Amendment and Restatement. As of the date of satisfaction of the condition set forth in Section 3(a) (the "Initial Effective Date"), the Credit Agreement shall be amended as set forth in subsection 2(b) below. As of August 28, 2000, provided all of the conditions set forth in Section 3 hereof have been satisfied on or before such date, (the "Subsequent Effective Date"), the Credit Agreement shall be further amended as set forth in subsection 2(c) below and restated in its entirety to read as set forth in Credit Agreement with the amendments specified in subsections 2(b) and 2(c) below.

(b) Initial Amendments. Upon the Initial Effective Date, the Credit Agreement shall be amended as follows:

(i) Section 7.02(c) is amended by deleting the word "and" from the end thereof.

(ii) The existing Section 7.02(d) is redesignated as Section 7.02(e). The existing Section 7.02(d) is further amended by changing the reference therein to "subsections 7.02(a) through (c)" to read "subsections 7.02(a) through (d)".

(iii) A new Section 7.02(d) is inserted to read as follows:

"(d) dispositions by the Company of common stock of eFunds Corporation to Company shareholders, pursuant to an exchange offer (in which shares of the Company are exchanged for shares of eFunds Corporation) and spin-off or in-kind dividend of any remaining eFunds shares, as described generally in that S-1/A Registration Statement of eFunds Corporation filed with the SEC on or about June 23, 2000, and pursuant to an S-4 Registration Statement of eFunds Corporation to be filed with the SEC (together, the "Exchange Offer Transaction"); and".

(iv) Section 7.06(b) is amended by deleting the word "and" from the end thereof.

(v) The existing Section 7.06(c) is redesignated as

Section 7.06(d).

(vi) A new Section 7.06(c) is inserted to read as follows:

"(c) make distributions by the Company to its shareholders of common stock of eFunds Corporation, pursuant to the Exchange Offer Transaction; and".

(c) Subsequent Amendment. Upon the Subsequent Effective Date, the Credit Agreement shall be further amended at Section 1.1, the definition of "Revolving Termination Date", by deleting the date "August 28, 2000" and substituting in its place the date "August 24, 2001".

(d) References Within Credit Agreement. Each reference in the Credit Agreement to "this Agreement" and the words "hereof," "herein," "hereunder," or words of like import, shall mean and be a reference to the Credit Agreement as amended by this Agreement.

SECTION 3 Conditions of Effectiveness. The following are conditions precedent to this Agreement as set forth in Section 2 hereof:

(a) Executed Amendment. The Agent shall have received an executed counterpart of this Agreement from the Company and each of the Banks.

(b) Additional Closing Documents and Actions. The Agent shall have received, in form and substance satisfactory to it a certificate of a Responsible Officer of the Company dated the Subsequent Effective Date, stating that (A) the representations and warranties contained in Section 4 hereof are true and correct on and as of the Subsequent Effective Date, and (B) on and as of the Subsequent Effective Date, after giving effect to the

2.

amendment of the Credit Agreement contemplated hereby, no Default or Event of Default shall have occurred and be continuing.

(c) Corporate Documents. The Agent shall have received, in form and substance satisfactory to it, a certificate of the Secretary or Assistant Secretary of the Company, dated the Subsequent Effective Date, certifying (A) the resolutions of the Board of Directors of the Company authorizing the execution, delivery and performance of this Agreement, and (B) the incumbency, authority and signature of each officer of the Company authorized to execute and deliver this Agreement.

(d) Legal Opinions. The Agent shall have received a legal opinion from the General Counsel of the Company, dated as of the Subsequent Effective Date, in form and substance satisfactory to the Agent.

(e) Additional Documents. The Agent shall have received, in form and substance satisfactory to it, such additional approvals, documents and other information as the Agent or any Bank (through the Agent) may reasonably request.

(f) Fees. The Company shall have paid (i) to the Agent, for the ratable benefit of the Banks from whom the Agent received, on or before August 7, 2000, a signed copy of the letter dated July 17, 2000, from the Agent to the Banks requesting their commitment to the amendment to the Credit Agreement contemplated by Section 2(c), an upfront fee equal to 0.03% of the Commitment of each such Bank, and (ii) to the Agent for its own account such additional fees as are specified in the fee letter dated August 1, 2000 between the Company and the Agent.

For purposes of determining compliance with the foregoing conditions specified in this Section 3, each of the Banks that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Agent to such Bank for consent, approval, acceptance or satisfaction, or required hereunder to be consented to or approved by or acceptable or satisfactory to, such Bank.

SECTION 4 Representations and Warranties of the Company. To induce the Agent and the Banks to enter into this Agreement, the Company hereby confirms and restates, as of the Initial Effective Date and the Subsequent Effective Date, the representations and warranties made by it in Article V of the Credit Agreement. For the purposes of this Section 4, (i) each reference in Article V of the Credit Agreement to "this Agreement," and the words "hereof," "herein," "hereunder," or words of like import in such Section, shall mean and be a reference to the Credit Agreement as amended by this Agreement, and each reference in such Section to "the Loan Documents" shall mean and be a reference to the Loan Documents as amended, as contemplated hereby, (ii) the representation and warranty set forth in Section 5.11 of the Credit Agreement shall be deemed instead to refer to the last day of the most recent fiscal

quarter and fiscal year for which financial statements have then been delivered, and (iii) any representations and warranties which relate solely to an earlier date shall not be deemed confirmed and restated as of the date hereof (provided that such representations and warranties shall be true, correct and complete as of such earlier date).

3.

SECTION 5 Miscellaneous.

(a) Notice. The Agent shall notify the Company and the Banks of the occurrence of the Initial Effective Date and the Subsequent Effective Date, and thereafter distribute to the Company and Banks copies of all documents delivered under Section 3.

(b) Credit Agreement Otherwise Not Affected. Except as expressly amended and restated pursuant hereto, the Credit Agreement shall remain unchanged and in full force and effect and is hereby ratified and confirmed in all respects. The Banks' and the Agent's execution and delivery of, or acceptance of, this Agreement and any other documents and instruments in connection herewith shall not be deemed to create a course of dealing or otherwise create any express or implied duty by any of them to provide any other or further amendments, consents or waivers in the future.

(c) No Reliance By Company. The Company hereby acknowledges and confirms to the Agent and the Banks that the Company is executing this Agreement on the basis of its own investigation and for its own reasons without reliance upon any agreement, representation, understanding or communication by or on behalf of any other Person.

(d) Costs and Expenses. The Company agrees to pay to the Agent on demand the reasonable out-of-pocket costs and expenses of the Agent, and the reasonable fees and disbursements of counsel to the Agent, in connection with the negotiation, preparation, execution and delivery of this Agreement and any other documents to be delivered in connection herewith.

(e) Binding Effect. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the Company, the Agent and each Bank and their respective successors and assigns.

(f) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(g) Complete Agreement; Amendments. This Agreement, together with the other Loan Documents, contains the entire and exclusive agreement of the parties hereto and thereto with reference to the matters discussed herein and therein. This Agreement supersedes all prior commitments, drafts, communications, discussion and understandings, oral or written, with respect thereto. This Agreement may not be modified, amended or otherwise altered except in accordance with the terms of Section 10.01 of the Credit Agreement.

(h) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement, or the validity or effectiveness of such provision in any other jurisdiction.

4.

(i) Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

(j) Interpretation. This Agreement is the result of negotiations among, and has been reviewed by, counsel to the Agent, the Company and the other parties hereto and are the product of all parties hereto. Accordingly, this Agreement shall not be construed against any of the Banks or the Agent merely because of the Agent's or any Bank's involvement in the preparation thereof.

(k) Loan Document. This Agreement shall constitute a Loan Document.

[SIGNATURE PAGES FOLLOW.]

5.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

THE COMPANY

DELUXE CORPORATION

By: _____
Name:
Title:

THE AGENT

BANK OF AMERICA, N.A., as Agent

By: _____
Name: Matthew A. Gabel
Title: Vice President

THE BANKS

BANK OF AMERICA, N.A., as a Bank

By: _____
Name: Kenneth J. Beck
Title: Vice President

ABN AMRO BANK N.V.

By: _____
Name:
Title:

By: _____
Name:
Title:

6.

BANCA DI ROMA - CHICAGO BRANCH

By: _____
Name:
Title:

By: _____
Name:
Title:

THE BANK OF NEW YORK

By: _____
Name:
Title:

BANK ONE, N.A. (formerly known

as The First National Bank of Chicago)

By: _____
Name:
Title:

FIRSTAR BANK, NATIONAL ASSOCIATION

By: _____
Name:
Title:

7.

LLOYDS TSB BANK PLC

By: _____
Name:
Title:

By: _____
Name:
Title:

THE NORTHERN TRUST COMPANY

By: _____
Name:
Title:

SUNTRUST BANK

By: _____
Name:
Title:

UMB BANK, N.A.

By: _____
Name:
Title:

8.

WACHOVIA BANK, N.A.

By: _____
Name:
Title:

WELLS FARGO BANK, N.A.

By: _____
Name:
Title:

August 19, 1998

Ronald E. Eilers
4920 Neal Avenue North
Stillwater, MN 55082

Dear Ron:

In order to facilitate your orderly attention to the affairs of Deluxe Corporation and its Affiliates (as defined below), you will be provided certain separation benefits in the event of your employment separation due to a Business Reorganization (as defined below), subject to the terms and conditions described below.

Beginning August 1, 1998 through July 31, 2001, if, at the time of your employment separation, you sign a separation agreement and release and if you are not offered a position having an equal or greater base salary and Deluxe Annual Incentive Plan (or equivalent) bonus target, then you will receive:

- A. Twelve (12) months of severance pay at your then-current level of base monthly salary in accordance with regular Deluxe Corporation (Deluxe) payroll practices;
- B. For a period of six (6) months commencing on the first anniversary of the initial payment in paragraph A, a monthly payment during each month in such six (6) month period equal to the amount, if any, that your monthly base salary at the time of your separation exceeds your monthly compensation during that month in such six (6) month period. In order to be eligible to receive any such payment, you agree to provide Deluxe a copy of documentation concerning your monthly compensation, such as your payroll statement or, if applicable, your written statement that you are not then employed, and within thirty (30) days thereafter, Deluxe will make such differential payment to you; and
- C. Continuation of the medical, life, vision and dental plan coverage in which you were a participant, if any, at the time of your separation for the subsequent twelve (12) month period at employee rates as such plan terms and rates may change from time to time.

"Affiliate" means a company which is directly, or indirectly through one or more intermediaries, controlled by or under common control with another company where control shall mean the right, either directly or indirectly, to elect the majority of the directors thereof without the consent or acquiescence of any third party.

"Business Reorganization" means a change in the structure of Deluxe or any Affiliate that results in the elimination or material reduction of your job responsibilities.

You also agree that during the term of your employment by Deluxe or any of its Affiliates and for a period of two (2) years thereafter, you shall retain in confidence all proprietary and confidential information concerning Deluxe or any of its Affiliates, including, without limitation, customer and mailing lists, cost and pricing information, employee data, financial data, business plans, sales and marketing plans, business acquisition or divestiture plans, research and development activities relating to existing commercial activities and new products, services and offerings under active consideration, trade secrets and software which you may have acquired during the course of your employment with Deluxe or its Affiliates and, notwithstanding the exceptions contained in the next sentence, shall return all copies and extracts thereof (however and on whatever medium recorded, to Deluxe, or as otherwise requested by Deluxe, without keeping any copies thereof). The foregoing obligation does not apply to (i) any information which was known to you prior to disclosure to you by Deluxe or any of its Affiliates; (ii) any information which was in the public domain prior to its disclosure to you; (iii) any information which comes into the public domain through no fault of yours; (iv) any information which you are required to disclose by a court or similar authority or under subpoena, provided that you provide Deluxe with notice thereof and assist, at Deluxe's or its Affiliates sole expense, any reasonable Deluxe or Affiliate endeavor by appropriate means to obtain a protective order limiting the disclosure of such information; and (v) any information which is disclosed to you by a third party which has a legal right to make such disclosure.

You may not assign or delegate any of your rights or obligations in respect of

this agreement and any attempted assignment or delegation shall be void and of no effect. This agreement is binding upon Deluxe Corporation and your affiliated employer and its successors and assigns and inures to the benefit of you, your heirs and executors. You acknowledge that you are an employee at will and agree that your employment may be terminated, by Deluxe or any of its Affiliates of which you were an employee, at any time for any reason or no reason. This agreement is governed by the substantive laws of the State of Minnesota.

This agreement is not intended to provide you with payments or benefits that are duplicative or overlap payments or benefits that will be paid or provided to you under other agreements between you and Deluxe or its Affiliates. Accordingly, except as provided herein, you acknowledge that there are no other agreements to which you and Deluxe or any of its Affiliates are a party that provide severance or continuation of income payments or welfare benefits to you or your family following the termination of your employment, except:

Executive Retention Agreement dated as of the 9th day of January, 1998
("Retention Agreement")

This agreement will be superceded and replaced in its entirety by the Retention Agreement on the Effective Date thereof or upon the termination prior to the Effective Date of your employment by (i) the Company without Cause or (ii) you for Good Reason,

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where the effect of such termination is to entitle you to receive the benefits described in Section V.A as a result of the occurrence of event or circumstances described in Section IV. H of the Retention Agreement. The capitalized terms used in this paragraph will have the meanings ascribed to them in the Retention Agreement.

We look forward to your continued contributions to Deluxe or its Affiliates under these circumstances which we hope will provide you a greater degree of assurance concerning your livelihood. Please contact Sonia St. Charles if you have any questions about this letter.

With kindest regards,

/s/ J.A. Blanchard III

J.A. Blanchard III
Chairman, President and
Chief Executive Officer

/s/ Ronald E. Eilers

Employee

8/22/98

Date

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Exhibit 12.4

DELUXE CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<TABLE>
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	Nine Months Ended ----- September 30, 2000	1999	1998	Years Ended December 31, -----			1995
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1994	-----	-----	-----	-----	-----	-----	-----
Earnings							
Income from Continuing Operations before Income Taxes \$246,706	\$205,695	\$324,655	\$242,915	\$115,150	\$118,765	\$169,319	
Interest expense (excluding capitalized interest) 9,733	10,455	8,506	8,273	8,822	10,649	13,099	
Portion of rent expense under long-term operating leases representative of an interest factor 13,554	9,043	14,640	15,126	13,621	13,467	14,761	
Amortization of debt expense 84	402	263	122	122	121	84	
	-----	-----	-----	-----	-----	-----	-----
TOTAL EARNINGS \$270,077	\$225,595	\$348,064	\$266,436	\$137,715	\$143,002	\$197,262	
Fixed charges							
Interest Expense (including capitalized interest) \$10,492	10,455	9,479	9,664	\$9,742	\$11,978	\$14,714	
Portion of rent expense under long-term operating leases representative of an interest factor 13,554	9,043	14,640	15,126	13,621	13,467	14,761	
Amortization of debt expense 84	402	263	122	122	121	84	
	-----	-----	-----	-----	-----	-----	-----
TOTAL FIXED CHARGES \$24,130	\$19,900	\$24,382	\$24,912	\$23,485	\$25,566	\$29,559	
RATIO OF EARNINGS TO FIXED CHARGES: 11.2	11.3	14.3	10.7	5.9	5.6	6.7	

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