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

FORM 10-Q

(Mark one)

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

For quarterly period ending June 30, 2001

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 __X__ No _____

The number of shares outstanding of registrant's common stock, par value $1.00 per share, at July 20, 2001 was 67,654,431.

Item I. Financial Statements

PART I. FINANCIAL INFORMATION

DELUXE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
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	UNAUDITED JUNE 30, 2001	DECEMBER 31, 2000
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents	$ 6,141	$ 80,732
Marketable securities	10,608	18,458
Trade accounts receivable (net of allowances for doubtful accounts of $1,448 and $1,415, respectively)	46,718	46,332
Inventories	10,486	10,560
Supplies	12,128	12,578
Deferred advertising	17,453	17,089
Deferred income taxes	6,828	6,877
Prepaid expenses	24,948	20,115
Other current assets	7,930	6,997

Total current assets	143,240	219,738
Investments	39,116	35,555
Property, plant, and equipment (net of accumulated depreciation of $307,776 and $295,812, respectively)	161,010	173,956
Intangibles (net of accumulated amortization of $96,513 and $75,355, respectively)	212,566	222,798
Other long-term assets	30,093	8,392
Total assets	$ 586,025	$ 660,439
Current Liabilities:		
Accounts payable	$ 44,320	$ 43,161
Accrued liabilities:		
Wages and vacation pay	33,685	36,191
Employee profit sharing and pension	13,596	21,872
Accrued income taxes	32,369	27,065
Accrued rebates	23,663	24,968
Other	56,962	62,214
Short-term debt	116,200	--
Long-term debt due within one year	1,342	100,672
Total current liabilities	322,137	316,143
Long-term debt	10,799	10,201
Deferred income taxes	60,712	60,712
Other long-term liabilities	7,513	10,575
Shareholders' Equity:		
Common shares $1 par value (authorized: 500,000,000 shares; issued: 2001 - 68,205,946; 2000 - 72,555,474)	68,206	72,555
Additional paid-in capital	--	44,243
Retained earnings	116,795	146,243
Unearned compensation	(55)	(60)
Accumulated other comprehensive income	(82)	(173)
Total shareholders' equity	184,864	262,808
Total liabilities and shareholders' equity	$ 586,025	$ 660,439

</TABLE>

See Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	UNAUDITED QUARTER ENDED JUNE 30,		UNAUDITED SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
<S>	<C>	<C>	<C>	<C>
Revenue	$ 317,780	$ 322,250	$ 633,574	$ 643,828
Cost of goods sold	112,428	112,695	228,911	228,065
Gross Profit	205,352	209,555	404,663	415,763
Selling, general and administrative expense	132,367	137,262	264,136	274,416
Operating Income	72,985	72,293	140,527	141,347
Other (expense) income	(912)	(1,179)	369	(1,741)
Income from Continuing Operations Before Interest and Taxes	72,073	71,114	140,896	139,606
Interest expense	(791)	(3,294)	(2,230)	(6,718)
Investment (loss) income	(316)	238	289	1,995
Income from Continuing Operations Before Income Taxes	70,966	68,058	138,955	134,883
Provision for income taxes	26,654	25,414	52,164	50,215
Income from Continuing Operations	44,312	42,644	86,791	84,668

Loss from Discontinued Operations	--	(7,803)	--	(5,505)
Net Income	$ 44,312	$ 34,841	$ 86,791	$ 79,163
Basic Net Income per Share:				
Income from continuing operations	$ .64	$ .59	$ 1.23	$ 1.17
Loss from discontinued operations	--	(.11)	--	(.07)
Basic Net Income per Share	$ .64	$ .48	$ 1.23	$ 1.10
Diluted Net Income per Share:				
Income from continuing operations	$ .63	$ .59	$ 1.22	$ 1.17
Loss from discontinued operations	--	(.11)	--	(.07)
Diluted Net Income per Share	$ .63	$ .48	$ 1.22	$ 1.10
Cash Dividends per Share	$ .37	$ .37	$ .74	$ .74
Total Comprehensive Income	$ 44,293	$ 34,611	$ 86,882	$ 78,798

</TABLE>

See Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

<S>	UNAUDITED SIX MONTHS ENDED JUNE 30, (DOLLARS IN THOUSANDS)	
	2001 <C>	2000 <C>
Cash Flows from Operating Activities:		
Net income	$ 86,791	$ 79,163
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Loss from discontinued operations	--	5,505
Depreciation	16,841	15,981
Amortization of intangibles	22,977	15,377
Share purchase discount	619	1,075
Deferred income taxes	--	(1,388)
Changes in assets and liabilities, net of effects from acquisitions and discontinued operations:		
Trade accounts receivable	(831)	(2,393)
Inventories	74	1,134
Accounts payable	3,566	(10,315)
Accrued wages, employee profit sharing and pension	(9,928)	(13,665)
Restructuring accruals	(1,609)	(7,583)
Other assets and liabilities	(27,179)	18,119
Net cash provided by operating activities of continuing operations	91,321	101,010
Cash Flows from Investing Activities:		
Proceeds from sales of marketable securities	37,990	7,627
Purchases of marketable securities	(30,000)	--
Purchases of capital assets	(17,102)	(26,769)
Payments for acquisitions, net of cash acquired	--	(95,991)
Proceeds from sales of capital assets	1,435	2,482
Loan to others	--	32,500
Other	(4,571)	(6,870)
Net cash used by investing activities of continuing operations	(12,248)	(87,021)
Cash Flows from Financing Activities:		
Net borrowings (payments) on short-term debt	116,200	(45,000)
Payments on long-term debt	(100,675)	(314)
Change in book overdrafts	(2,407)	5,016
Payments to retire shares	(122,487)	--
Proceeds from issuing shares under employee plans	8,268	4,746
Cash dividends paid to shareholders	(52,563)	(53,471)

Net cash used by financing activities of continuing operations	(153,664)	(89,023)
Net Cash Used by Discontinued Operations	--	(26,687)
Net Decrease in Cash and Cash Equivalents	(74,591)	(101,721)
Cash and Cash Equivalents at Beginning of Period	80,732	124,435
Cash and Cash Equivalents at End of Period	$ 6,141	$ 22,714

</TABLE>

See Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. The condensed consolidated balance sheet as of June 30, 2001, the condensed consolidated statements of income for the quarters and six months ended June 30, 2001 and 2000, and the consolidated statements of cash flows for the six months ended June 30, 2001 and 2000, are unaudited. 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, 2000.

2. On January 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, as amended by SFAS No. 138, ACCOUNTING FOR CERTAIN DERIVATIVE INSTRUMENTS AND CERTAIN HEDGING ACTIVITIES. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivatives, including those embedded in other contracts, be recognized as either assets or liabilities and that those financial instruments be measured at fair value. The accounting for changes in the fair value of derivatives depends on their intended use and designation. The Company has reviewed the requirements of SFAS No. 133 and has determined that it currently has no free-standing or embedded derivatives. Adoption of this standard did not have an impact on the Company's reported operating results or financial position.

3. In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, BUSINESS COMBINATIONS, which addresses accounting and financial reporting for business combinations. This statement is effective in its entirety for the Company on January 1, 2002. The Company has not yet determined the impact this statement will have on its results of operations or financial position.

4. In June 2001, the FASB issued SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, which addresses accounting and financial reporting for goodwill and intangible assets. Under this new statement, goodwill and intangible assets with indefinite lives are no longer amortized, but are subject to impairment testing on at least an annual basis. This statement is effective in its entirety for the Company on January 1, 2002. As of June 30, 2001, the net book value of the Company's goodwill was $85.3 million, and goodwill amortization expense for the first six months of 2001 was $3.1 million. The Company has not yet determined the impact this statement will have on its results of operations or financial position.

5. The following table reflects the calculation of basic and diluted earnings per share from continuing operations (dollars and shares in thousands, except per share amounts):

<TABLE>
<CAPTION>

	QUARTER ENDED	SIX MONTHS ENDED

	JUNE 30,		JUNE 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Income from continuing operations per share-basic:				
Income from continuing operations	$ 44,312	$ 42,644	$ 86,791	$ 84,668
Weighted average shares outstanding	69,605	72,275	70,644	72,203
Income from continuing operations per share-basic	$ .64	$ .59	$ 1.23	$ 1.17
Income from continuing operations per share-diluted:				
Income from continuing operations	$ 44,312	$ 42,644	$ 86,791	$ 84,668
Weighted average shares outstanding	69,605	72,275	70,644	72,203
Dilutive impact of options	506	81	336	77
Shares contingently issuable	36	6	24	4
Weighted average shares and potential dilutive shares outstanding	70,147	72,362	71,004	72,284
Income from continuing operations per share-diluted	$ .63	$ .59	$ 1.22	$ 1.17

</TABLE>

During the first six months of 2001 and 2000, options to purchase a weighted-average of 2.7 million and 5.4 million common shares, respectively, were outstanding but were not included in the computation of diluted earnings per share. The exercise prices of the excluded options were greater than the average market price of the Company's common shares during the respective periods.

6. Certain amounts reported in 2000 have been reclassified to conform with the 2001 presentation. These changes had no impact on previously reported net income or shareholders' equity.

7. Inventories were comprised of the following (dollars in thousands):

	JUNE 30, 2001	DECEMBER 31, 2000
Raw materials	$ 2,668	$ 2,879
Semi-finished goods	6,662	6,504
Finished goods	1,156	1,177
Total	$10,486	$10,560

8. As of June 30, 2001, the Company had committed lines of credit for $450.0 million available for borrowing and as support for its $300.0 million commercial paper program. No amounts were drawn on these lines during the first six months of 2001. The average amount drawn on these lines during 2000 was $18.8 million at a weighted-average interest rate of 6.26%. As of June 30, 2001 and December 31, 2000, no amounts were outstanding under these lines of credit. The average amount of commercial paper outstanding during the first six months of 2001 was $59.1 million at a weighted-average interest rate of 4.64%. As of June 30, 2001, $116.2 million was outstanding at a weighted-average interest rate of 4.28%. The average amount of commercial paper outstanding during 2000 was $6.2 million at a weighted-average interest rate of 6.56%. No commercial paper was outstanding as of December 31, 2000.

The Company had uncommitted bank lines of credit for $60.0 million available at variable interest rates. No amounts were

drawn on these lines of credit during the first six months of 2001. The average amount drawn on these lines of credit during 2000 was $33,000 at a weighted-average interest rate of 6.38%. As of June 30, 2001 and December 31, 2000, 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 June 30, 2001 and December 31, 2000, no such notes were issued or outstanding.

9. The Company's consolidated balance sheets reflect restructuring accruals

of $1.5 million and $3.1 million as of June 30, 2001 and December 31, 2000, respectively, for employee severance costs. The status of these restructuring accruals as of June 30, 2001 was as follows (dollars in millions):

	CHECK PRINTING PLANT CLOSINGS/OTHER(1)		SG&A REDUCTIONS(2)		PLAIDMOON(3)		DIRECT CHECKS(4)		TOTAL	
	AMOUNT	NO. OF EMPLOYEES AFFECTED	AMOUNT	NO. OF EMPLOYEES AFFECTED	AMOUNT	NO. OF EMPLOYEES AFFECTED	AMOUNT	NO. OF EMPLOYEES AFFECTED	AMOUNT	NO. OF EMPLOYEES AFFECTED
Balance, December 31, 2000	$ 0.8	70	$ 1.5	40	$ 0.8	35	$ --	--	$ 3.1	145
Severance paid	(0.3)	(15)	(0.3)	--	(0.2)	(18)	--	--	(0.8)	(33)
Balance, March 31, 2001 ...	0.5	55	1.2	40	0.6	17	--	--	2.3	112
Restructuring charges ...	--	--	--	--	--	--	0.6	46	0.6	46
Severance paid	(0.2)	(20)	(0.6)	(25)	(0.4)	(16)	(0.2)	(33)	(1.4)	(94)
Balance, June 30, 2001	$ 0.3	35	$ 0.6	15	$ 0.2	1	$ 0.4	13	$ 1.5	64

(1) Includes charges related to implementing a new order processing and customer service system.
(2) Includes charges related to the Company's initiative to reduce selling, general and administrative (SG&A) expense.
(3) Includes charges recorded in 2000 relating to the scaling-back and repositioning of PlaidMoon.
(4) Includes charges recorded in 2001 relating to Direct Checks' reductions.

During the second quarter of 2001, the Company recorded restructuring accruals of $0.6 million for employee severance related to reductions within the Company's Direct Checks segment. These reductions are expected to be completed in the third quarter of 2001 and affect 46 employees. These restructuring charges are reflected in SG&A expense in the Company's consolidated statements of income for the quarter and six months ended June 30, 2001.

During the second quarter of 2000, the Company recorded restructuring accruals of $1.0 million within continuing operations as a result of the outsourcing of certain data entry functions. This outsourcing affected approximately 155 employees and was completed during 2000. Additionally, the Company reversed $3.0 million of restructuring accruals within continuing operations relating to the Company's initiative to reduce 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 current severance practices, employees are provided some period of advance 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 an additional amount for wages which would have been received during the notice period. In this situation, management subsequently decided to keep employees working for the notice 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 statements of income for the quarter and six months ended June 30, 2000.

10. During 2000, the Company operated two business segments: Paper Payment Systems and eFunds. On December 29, 2000, the Company disposed of the eFunds segment via a spin-off transaction. For 2001, the Company has re-organized its remaining businesses into three business segments: FI Checks, Direct Checks and Business Forms. FI Checks sells checks and related products and services through financial institutions. Direct Checks sells checks and related products directly to consumers through direct mail and the Internet. Business Forms sells checks, forms and related products to small businesses through financial institutions and directly to customers via direct mail and the Internet. All three segments

operate only in the United States. Prior year segment information has been revised to reflect this new organization.

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, 2000. Corporate expenses have been allocated to the segments based on segment revenues. This allocation includes expenses for various support functions such as executive management, human resources and finance and includes depreciation and amortization expense related to corporate assets. The corresponding corporate asset balances have not been allocated to the segments. Corporate assets consist primarily of cash, investments and deferred tax assets relating to corporate activities.

The Company is an integrated enterprise, characterized by substantial intersegment cooperation, cost allocations and the sharing of assets. Therefore, the Company does not represent that these segments, if operated independently, would report the operating income and other financial information shown. The following is the Company's segment information for the second quarter and first six months of 2001 and 2000 (dollars in thousands):

Quarters Ended June 30, 2001 and 2000

		FI CHECKS	DIRECT CHECKS	BUSINESS FORMS	CORPORATE AND UNALLOCATED	CONSOLIDATED
Revenue:						
	2001	$193,197	$ 74,997	$ 49,586	$ --	$317,780
	2000	205,140	71,696	45,414	--	322,250
Operating income:						
	2001	41,248	16,351	15,386	--	72,985
	2000	45,424	14,270	12,599	--	72,293
Depreciation and amortization expense:						
	2001	16,029	4,172	1,629	--	21,830
	2000	11,668	3,230	1,113	--	16,011
Total assets:						
	2001	302,492	145,567	37,184	100,782	586,025
	2000	335,187	153,768	43,396	416,954	949,305
Purchases of capital assets:						
	2001	4,949	1,835	546	82	7,412
	2000	9,001	1,403	236	4,025	14,665

Six Months Ended June 30, 2001 and 2000

		FI CHECKS	DIRECT CHECKS	BUSINESS FORMS	CORPORATE AND UNALLOCATED	CONSOLIDATED
Revenue:						
	2001	$379,366	$155,138	$ 99,070	$ --	$633,574
	2000	410,418	141,405	92,005	--	643,828
Operating income:						
	2001	72,701	36,806	31,020	--	140,527
	2000	88,616	26,161	26,570	--	141,347
Depreciation and amortization expense:						
	2001	29,201	7,819	2,798	--	39,818
	2000	23,592	5,502	2,264	--	31,358
Total assets:						
	2001	302,492	145,567	37,184	100,782	586,025
	2000	335,187	153,768	43,396	416,954	949,305
Purchases of capital assets:						
	2001	12,018	3,629	1,343	112	17,102
	2000	16,197	3,042	723	6,807	26,769

Corporate and Unallocated assets as of June 30, 2000, includes net assets of discontinued operations of $286.5 million. Corporate and Unallocated purchases of capital assets includes activity related to the Company's PlaidMoon project, which was scaled-back and repositioned into the other segments in the fourth quarter of 2000.

11. Discontinued operations represents the results of the Company's eFunds segment, which was disposed of via a spin-off transaction on December 29, 2000. Revenue and loss from discontinued operations for the quarter and six months ended June 30, 2000, were as follows (dollars in thousands):

	QUARTER ENDED JUNE 30, 2000	SIX MONTHS ENDED JUNE 30, 2000
Revenue from external customers	$ 86,169	$ 170,783
Pre-tax loss from operations of discontinued operations before measurement date	(4,979)	(770)
Pre-tax costs of spin-off	(7,318)	(7,453)
Income tax benefit	(4,494)	(2,718)
Loss from discontinued operations	$ (7,803)	$ (5,505)

During the second quarter of 2000, the Company's discontinued operations recorded net charges of $9.7 million for expected future losses on the long-term service contracts of its electronic benefits transfer (EBT) business. In April 2000, the Company completed negotiations with the prime contractor for a state coalition for which the Company's discontinued operations provided EBT services. Prior to this, the Company and the prime contractor were operating without a binding contract. The Company increased its accrual for expected future losses on long-term service contracts by $12.2 million to reflect the fact that there was now a definitive agreement with this contractor. 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.

In June 2000, the Company's eFunds segment sold 5.5 million shares of its common stock to the public. Prior to this initial public offering (IPO), the Company owned 40 million, or 100%, of eFunds total outstanding shares. Subsequent to the IPO, the Company continued to own 40 million shares of eFunds, representing 87.9% of eFunds total outstanding 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. No tax expense or deferred tax was provided on this amount, as the Company disposed of its ownership in eFunds via a tax-free spin-off transaction in December 2000.

In conjunction with the spin-off of eFunds, the Company has agreed to indemnify eFunds for future losses arising from any litigation based on the conduct of eFunds' EBT and medical eligibility verification businesses prior to eFunds' IPO in June 2000, and from certain future losses on identified loss contracts. The contractual maximum amount of litigation and contract losses for which the Company will indemnify eFunds is $14.6 million. Through June 30, 2001, no amounts have been paid or claimed under this indemnification agreement.

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

COMPANY PROFILE

During 2000, we operated two business segments: Paper Payment Systems and eFunds. On December 29, 2000, we disposed of the eFunds segment via a spin-off transaction. For 2001, we have re-organized our remaining businesses into three business segments: FI Checks, Direct Checks and Business Forms. FI Checks sells checks and related products and services through financial institutions. Direct Checks sells checks and related products directly to consumers through direct mail and the Internet. Business Forms sells checks, forms and related products to small businesses through financial institutions and directly to customers via direct mail and the Internet. All three segments operate only in the United States.

RESULTS OF OPERATIONS - QUARTER AND SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2000

The following table presents, for the periods indicated, selected statement of income data (dollars in thousands):

<TABLE>
<CAPTION>

	Quarter Ended June 30,				Six Months Ended June 30,			
	2001		2000		2001		2000	
	$	% of Revenue	$	% of Revenue	$	% of Revenue	$	% of Revenue
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue	$317,780	--	$322,250	--	$633,574	--	$643,828	--
Gross profit	205,352	64.6%	209,555	65.0%	404,663	63.9%	415,763	64.6%
Selling, general and administrative expense ..	132,367	41.7%	137,262	42.6%	264,136	41.7%	274,416	42.6%
Operating income	72,985	23.0%	72,293	22.4%	140,527	22.2%	141,347	22.0%

</TABLE>

REVENUE - Revenue decreased $4.5 million, or 1.4%, to $317.8 million in the second quarter of 2001 from $322.3 million in the second quarter of 2000, and decreased $10.2 million, or 1.6%, to $633.6 million in the first six months of 2001 from $643.8 million in the first six months of 2000. Units for the second quarter were down 2.7% as compared to 2000, while revenue per unit was up 1.3%. Units for the first six months of 2001 were down 3.3% as compared to 2000, while revenue per unit was up 1.8%. The decreases in revenue were primarily due to continued competitive pricing pressure within the FI Checks business, as well as the resulting volume decline due to lost financial institution customers. Additionally, client mix has shifted toward larger financial institutions which, due to their volumes, generally pay lower average prices per unit than smaller accounts. Partially offsetting the FI Checks decrease was growth within our other two segments. Direct Checks revenue increased due to a price increase and growth in units per order primarily due to a channel shift to the Internet. Additionally, for the first six months of the year, Direct Checks volume increased as compared to last year due to the acquisition of Designer Checks in February 2000. Business Forms volume increased as this business continued to benefit from financial institution referrals. Additionally, a third quarter 2000 price increase contributed to this business' increased revenue.

We anticipate that 2001 revenue will be flat compared to 2000. We plan to offset volume declines and pricing pressures by expanding product offerings and increasing our customer base through promotional spending.

GROSS PROFIT - Gross profit decreased $4.2 million to $205.4 million in the second quarter of 2001 from $209.6 million in the second quarter of 2000 and decreased $11.1 million to $404.7 million in the first six months of 2001 from $415.8 million in the first six months of 2000. As a percentage of revenue, gross margin decreased to 64.6% in the second quarter of 2001 from 65.0% in the second quarter of 2000 and decreased to 63.9% in the first six months of 2001 from 64.6% in the first six months of 2000. The decreases were due primarily to a decrease in FI Checks revenue per unit due to continued pricing pressures. Additionally, for the first six months of the year, higher delivery costs for this business contributed to the decrease in gross margin. The price increases within Direct Checks and Business Forms partially offset these declines.

We expect our 2001 gross margin percentage to be flat as compared to 2000. We plan to continue process improvements in 2001, although the large reductions in cost of goods sold seen in previous years are not anticipated.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSE - SG&A expense decreased $4.9 million, or 3.6%, to $132.4 million in the second quarter of 2001 from $137.3 million in the second quarter of 2000 and decreased $10.3 million, or 3.7%, to $264.1 million in the first six months of 2001 from $274.4 million in the first six months of 2000. As a percentage of revenue, SG&A expense decreased to 41.7% in the second quarter and first six months of 2001 from 42.6% in the second quarter and first six months of 2000. The improvement was primarily due to reduced corporate spending resulting from on-going cost management efforts and administrative cost reductions due to the spin-off of eFunds on December 29, 2000. Partially offsetting these decreased expenses were restructuring charges of $0.6 million recorded in the second quarter of 2001 related to reductions within the Direct Checks segment. These reductions, which affected 46 employees, are expected to be completed in the third quarter of 2001. By comparison, the second quarter of 2000 included net restructuring reversals of $2.0 million within the FI Checks segment, consisting of a $1.0 million charge for the outsourcing of certain data entry functions, offset by reversals of $3.0 million relating to our initiative to reduce SG&A expense. The outsourcing of data entry

functions was completed in 2000 and affected approximately 155 employees. The restructuring reversals resulted from higher than anticipated attrition and the reversal of "early termination" payments to a group of employees. Under our current severance practices, employees are provided some period of advance notice prior to being terminated. In certain situations, we ask the employees to leave immediately because they may have access to crucial infrastructure or information. In these cases, severance includes an additional amount for wages which would have been received during the notice period. In this situation, management subsequently decided to keep employees working for the notice period and thus, a reduction in the restructuring reserves was required since this pay was no longer severance, but an operating expense.

Excluding the asset impairment charges of $9.7 million which we recorded in the fourth quarter of 2000, we expect to see a slight decrease in SG&A expense in 2001 as compared to last year. We will continue to enhance our e-commerce capabilities and increase promotional spending to obtain new customers in our direct-to-consumer businesses.

INTEREST EXPENSE - Interest expense decreased $2.5 million to $0.8 million in the second quarter of 2001 from $3.3 million in the second quarter of 2000 and decreased $4.5 million to $2.2 million in the first six months of 2001 from $6.7 million in the first six months of 2000. The decreases were due to our lower debt levels and interest rates. During the first six months of 2001, we had weighted-average debt outstanding of $84.0 million at a weighted-average interest rate of 5.80%. During the first six months of 2000, we had weighted-average debt outstanding of $140.0 million at a weighted-average interest rate of 7.93%. In February 2001, we paid off our $100.0 million of unsecured and unsubordinated notes which carried interest at 8.55%.

PROVISION FOR INCOME TAXES - Our effective tax rate in the second quarter of 2001 was 37.6% compared to 37.3% in the second quarter of 2000. Our effective tax rate in the first six months of 2001 was 37.5% compared to 37.2% in the first six months of 2000.

INCOME FROM CONTINUING OPERATIONS - Income from continuing operations in the second quarter of 2001 increased $1.7 million, or 3.9%, to $44.3 million from $42.6 million in the second quarter of 2000. The improvement was due to increased operating income and decreased interest expense. Income from continuing operations increased $2.1 million, or 2.5%, to $86.8 million in the first six months of 2001 from $84.7 million in the first six months of 2000. The slight decrease in operating income was more than offset by lower interest expense.

DISCONTINUED OPERATIONS - Loss from discontinued operations was $7.8 million in the second quarter of 2000 and $5.5 million in the first six months of 2000. This represents the results of our eFunds segment, which was disposed of via a spin-off transaction on December 29, 2000, as well as the costs of the spin-off.

The results of discontinued operations for both the second quarter and first six months of 2000 included net charges of $9.7 million for expected future losses on the long-term service contracts of eFunds' electronic benefits transfer (EBT) business. In April 2000, eFunds completed negotiations with the prime contractor for a state coalition for which it provided EBT services. Prior to this, eFunds and the prime contractor were operating without a binding contract. eFunds increased its accrual for expected future losses on long-term service contracts by $12.2 million to reflect the fact that there was now a definitive agreement with this contractor. 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. Loss from discontinued operations for both the second quarter and the first six months of 2000 also included charges of $7.2 million for payments due under executive employment agreements due to the spin-off of eFunds.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL CONDITION

As of June 30, 2001, we had cash and cash equivalents of $6.1 million, as well as marketable securities of $10.6 million. Our working capital on June 30, 2001 was negative $178.9 million compared to negative $96.4 million on December 31, 2000. The current ratio on June 30, 2001 and December 31, 2000 was 0.4 to 1 and 0.7 to 1, respectively. The decrease in working capital was primarily due to our uses of cash during the first six months of 2001. The following table shows our cash flow activity for the first six months of 2001 and 2000 and should be read in conjunction with our consolidated statements of cash flows (dollars in thousands):

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,

	2001	2000
Continuing operations:		
Cash provided by operating activities	$ 91,321	$ 101,010
Cash used by investing activities	(12,248)	(87,021)
Cash used by financing activities	(153,664)	(89,023)
Cash used by continuing operations	(74,591)	(75,034)
Cash used by discontinued operations	--	(26,687)
Net decrease in cash and cash equivalents	$ (74,591)	$ (101,721)

Cash provided by operating activities represents our primary source of working capital and the source for financing capital expenditures and paying cash dividends. We believe that cash provided by operating activities, as well as cash available from our current credit facilities and commercial paper program, is sufficient to sustain our existing operations, provide cash for share repurchases and fund possible acquisitions.

During the first six months of 2001, earnings before interest, taxes, depreciation and amortization (EBITDA) were $180.7 million. These operating cash inflows were utilized primarily to make 2000 employee profit sharing and pension contributions, to fund FI Checks contract acquisition costs, to pre-fund our trust for employee medical costs and to make income tax payments.

Cash on hand at year-end, cash provided by operating activities during the first six months of 2001 and the net issuance of $116.2 million of commercial paper enabled us to make payments on long-term debt of $100.7 million, make share repurchases of $122.5 million, pay dividends of $52.6 million and purchase $17.1 million of capital assets during the first six months of 2001.

As of June 30, 2001, we had committed lines of credit for $450.0 million available for borrowing and as support for our $300.0 million commercial paper program. No amounts were drawn on these lines during the first six months of 2001. The average amount drawn on these lines during 2000 was $18.8 million at a weighted-average interest rate of 6.26%. As of June 30, 2001 and December 31, 2000, no amounts were outstanding under these lines of credit. The average amount of commercial paper outstanding during the first six months of 2001 was $59.1 million at a weighted-average interest rate of 4.64%. As of June 30, 2001, $116.2 million was outstanding at a weighted-average interest rate of 4.28%. The average amount of commercial paper outstanding during 2000 was $6.2 million at a weighted-average interest rate of 6.56%. No commercial paper was outstanding as of December 31, 2000.

We had uncommitted bank lines of credit for $60.0 million available at variable interest rates. No amounts were drawn on these lines of credit during the first six months of 2001. The average amount drawn on these lines of credit during 2000 was $33,000 at a weighted-average interest rate of 6.38%. As of June 30, 2001 and December 31, 2000, 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. 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. As of June 30, 2001 and December 31, 2000, no such notes were issued or outstanding.

In conjunction with the spin-off of eFunds, we have agreed to indemnify eFunds for future losses arising from any litigation based on the conduct of eFunds' EBT and medical eligibility verification businesses prior to eFunds' initial public offering in June 2000, and from certain future losses on identified loss contracts. The contractual maximum amount of litigation and contract losses for which we will indemnify eFunds is $14.6 million. Through June 30, 2001, no amounts have been paid or claimed under this indemnification agreement.

RECENT DEVELOPMENTS

In January 2001, we announced that our board of directors approved a stock repurchase program, authorizing the repurchase of up to 14 million shares of Deluxe common stock. In May 2001 we adopted a plan under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. This plan permits us to purchase shares at times when we ordinarily would not be in the market because of self-imposed trading blackout periods, such as the days or weeks immediately preceding our quarterly earnings releases. Our Rule 10b5-1 plan authorizes our

securities brokers to purchase up to 4 million shares in aggregate during our black-out periods for the 2001 fiscal year reporting period and is part of the 14 million share repurchase program. We also expect to continue to make open market purchases during our normal trading windows.

Under the share repurchase program, we have repurchased a total of 4.8 million shares through June 30, 2001. These share repurchases resulted in a $0.03 increase in diluted income from continuing operations per share for both the second quarter and first six months of 2001 as compared to 2000. We funded these repurchases by utilizing cash generated from operations and by issuing commercial paper. As of June 30, 2001, $116.2 million of commercial paper was outstanding.

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, BUSINESS COMBINATIONS, which addresses accounting and financial reporting for business combinations. This statement is effective for us in its entirety on January 1, 2002. We have not yet determined the impact this statement will have on our results of operations or financial position.

In June 2001, the FASB issued SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, which addresses accounting and financial reporting for goodwill and intangible assets. Under this new statement, goodwill and intangible assets with indefinite lives are no longer amortized, but are subject to impairment testing on at least an annual basis. This statement is effective for us in its entirety on January 1, 2002. As of June 30, 2001, the net book value of our goodwill was $85.3 million, and goodwill amortization expense for the first six months of 2001 was $3.1 million. We have not yet determined the impact this statement will have on our results of operations or financial position.

OUTLOOK

As of yet, the slowing United States economy has had little impact on our results of operations. The economic slow-down has had an impact on how we acquire new customers in our Direct Checks segment. Some of our traditional means of customer acquisition have not been available to us, causing us to evaluate other options. While these options may be effective, they may come at an initial higher cost. However, our financial strength allows us to be flexible and acquire some circulation avenues that were lost by other direct marketing companies. We do not expect to see an impact on our results of operations in the second half of the year, assuming no further deterioration in the economy.

We continue to take steps throughout the company that are directly related to our business strategy. Our strategy is:

- We will leverage our core competencies of personalization, direct marketing and e-commerce to expand the opportunities in our existing businesses.

- We will invest in our existing businesses by adding services and expanding product offerings.

- We will consider acquisitions that leverage our core competencies and that are accretive to earnings and cash flow per share.

- We will invest in technology and processes that will lower our cost structure and enhance our revenue opportunities.

In line with this strategy, we expanded our product offerings by introducing a new line of Disney check packages. Additionally, both Direct Checks and Business Forms have had success in leveraging our e-commerce capabilities. Internet orders for these segments in the first half of 2001 more than doubled from the same period last year.

We continue to invest in our businesses, particularly as it relates to our use of the Internet. We currently are developing a browser application-based solution to allow clients to inquire and purchase our check products from their desktops. We will provide software modifications, upgrades, fixes, etc. to our financial institution clients remotely, allowing our customers ease of use. Additionally, we are continuing to build an electronic order processing capability for multiple channels. We also continue to invest in areas of the business where we can increase productivity and reduce costs. We anticipate total capital purchases of $40.0 million to $45.0 million in 2001.

While the check printing industry is mature, our existing leadership position in the marketplace contributes to our financial strength. Although we don't anticipate significant growth in operating income in 2001, we believe that our business strategy will enable us to increase shareholder value.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are exposed to changes in interest rates primarily as a result of the borrowing and investing activities used to maintain liquidity and fund business operations. We do not engage in speculative or leveraged transactions, nor do we hold or issue financial instruments for trading purposes. We continue to utilize commercial paper to fund working capital requirements and share repurchases. We also have various lines of credit available, as well as a shelf registration for the issuance of up to $300.0 million in medium-term notes. The nature and amount of debt outstanding can be expected to vary as a result of future business requirements, market conditions and other factors. As of June 30, 2001, we had $116.2 million of commercial paper outstanding at a weighted-average interest rate of 4.28%. The carrying value of this debt approximates its fair value due to its short-term duration. Other than capital lease obligations, we had no long-term debt outstanding as of June 30, 2001.

As of June 30, 2001, we had an investment portfolio of fixed income securities of $10.6 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

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

The Company held its annual shareholders' meeting on May 8, 2001.

61,161,534 shares were represented (86.57% of the 70,646,880 shares outstanding and entitled to vote at the meeting). Two 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: Lawrence J. Mosner, Ronald E. Eilers, Calvin W. Aurand, Jr., Daniel D. Granger, Barbara B. Grogan, Charles A. Haggerty, Donald R. Hollis, Cheryl E. Mayberry, Stephen P. Nachtsheim, Robert C. Salipante. The results were as follows:

Election of Directors	For	Withhold
Lawrence J. Mosner	60,812,380	349,154
Ronald E. Eilers	60,816,772	344,762
Calvin W. Aurand, Jr.	60,747,666	413,868
Daniel D. Granger	60,803,638	357,896
Barbara B. Grogan	60,775,917	385,617
Charles A. Haggerty	60,804,264	357,270
Donald R. Hollis	60,771,301	390,233
Cheryl E. Mayberry	60,788,890	372,644
Stephen P. Nachtsheim	60,694,046	467,488
Robert C. Salipante	60,820,474	341,060

2. Ratification of the selection of PricewaterhouseCoopers LLP as independent auditors:

For:	60,695,343
Against:	146,715
Abstain:	319,476

Item 5. Other Information

CAUTIONARY STATEMENTS

The Private Securities Litigation Reform Act of 1995 ("the Reform Act") provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information. We are filing this cautionary statement in connection with the Reform Act. When we use the words or phrases "should result," "believe", "intend", "plan", "are expected to," "targeted," "will continue," "will approximate," "is anticipated," "estimate," "project" or similar expressions in this Quarterly Report on Form 10-Q, in future filings with the Securities and Exchange Commission ("the Commission"), in our press releases and in oral statements made by our representatives, they indicate forward-looking statements within the meaning of the Reform Act.

We want to caution you that any forward-looking statements made by us or on our behalf are subject to uncertainties and other factors that could cause them to be wrong. Some of these uncertainties and other factors are listed under the caption "Risk Factors" below (many of which have been discussed in prior filings with the Commission). Although we have attempted to compile a

comprehensive list of these important factors, we want to caution you that other factors may prove to be important in affecting future operating results. New factors emerge from time to time, and it is not possible for us to predict all of these factors, nor can we assess the impact each factor or combination of factors may have on our business.

You are further cautioned not to place undue reliance on those forward-looking statements because they speak only of our views as of the date the statements were made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

RISK FACTORS

THE PAPER CHECK INDUSTRY OVERALL IS A MATURE INDUSTRY AND IF THE INDUSTRY DECLINES FASTER THAN EXPECTED, OUR BUSINESS COULD BE HARMED.

Check printing is, and is expected to continue to be, an essential part of our business and the principal source of our operating income. We primarily sell checks for personal and small business use and believe that there will continue to be a substantial demand for these checks for the foreseeable future. However, according to our estimates, growth in total checks written by individuals and small businesses declined slightly in 2000 compared to 1999, and the total number of personal, business and government checks written in the United States has been in decline since 1997. We believe that checks written by individuals and small businesses will continue to decline due to the increasing use of alternative payment methods, including credit cards, debit cards, smart cards, automated teller machines, direct deposit, electronic and other bill paying services, home banking applications and Internet-based payment services. 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 our business, results of operations and prospects.

WE FACE INTENSE COMPETITION IN ALL AREAS OF OUR BUSINESS.

Although we believe we are the leading check printer in the United States, we face considerable competition. In addition to competition from alternative payment systems, we also face considerable competition from other check printers in our traditional sales channel through financial institutions, from direct mail sellers of checks and from sellers of business checks and forms. Additionally, we face competition from check printing software vendors, and increasingly, from Internet-based sellers of checks to individuals and small businesses. From time to time, some of our competitors have reduced the prices of their products in an attempt to gain volume. The corresponding pricing pressure placed on us has resulted in reduced profit margins in the past and similar pressures can reasonably be expected in the future. We cannot assure you that we will be able to compete effectively against current and future competitors. Continued competition could result in price reductions, reduced margins and loss of customers.

CONSOLIDATION AMONG FINANCIAL INSTITUTIONS MAY ADVERSELY AFFECT OUR ABILITY TO SELL OUR PRODUCTS.

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 of retaining our major customers and attracting significant additional customers in an increasingly competitive environment. Although we devote 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 our remaining customers.

FORECASTS INVOLVING FUTURE RESULTS REFLECT VARIOUS ASSUMPTIONS THAT MAY PROVE TO BE INCORRECT.

From time to time, our representatives make predictions or forecasts regarding our future results, including but not limited to, forecasts regarding estimated revenues, earnings or earnings per share. Any forecast regarding our future performance reflects various assumptions which are subject to significant uncertainties, and, as a matter of course, may prove to be incorrect. Further, the achievement of any forecast depends on numerous factors which are beyond our control. As a result, we cannot assure you that our performance will be consistent with any management forecasts or that the variation from such forecasts will not be material and adverse. You are cautioned not to base your entire analysis of our business and prospects upon isolated predictions, and are

encouraged to use the entire available mix of historical and forward-looking information made available by us, and other information affecting us and our products and services, including the risk factors discussed here.

In addition, our representatives may occasionally comment publicly on the perceived reasonableness of published reports by independent analysts regarding our 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. The methodologies we employ in arriving at our own internal projections and the approaches taken by independent analysts in making their estimates are likely different in many significant respects. We expressly disclaim any responsibility to advise analysts or the public markets of our views regarding the current accuracy of the published estimates of outside analysts. If you are relying on these estimates, you should pursue your own independent investigation and analysis of their accuracy and the reasonableness of the assumptions on which they are based.

UNCERTAINTIES EXIST REGARDING OUR SHARE REPURCHASE PROGRAM.

In January 2001, we announced that our board of directors had approved the repurchase of up to 14 million shares of our common stock. At that time, we indicated that we expected to be able to complete these purchases over a 12- to 18-month period. Stock repurchase activities are subject to certain pricing restrictions, stock market forces, management discretion and various regulatory requirements. As a result, there can be no assurance as to the timing and/or amount of shares that we may repurchase under this share repurchase program.

INCREASED PRODUCTION AND DELIVERY COSTS COULD ADVERSELY AFFECT OUR OPERATING RESULTS.

Increases in production costs such as labor, paper and delivery could adversely affect our profitability. In addition, events such as the 1997 United Parcel Services strike can also adversely impact our margins by imposing higher delivery costs. Competitive pressures in the check printing industry may inhibit our ability to reflect any of these increased costs in the prices of our products.

OUR STRATEGIC INITIATIVES MAY COST MORE THAN ANTICIPATED AND MAY NOT BE SUCCESSFUL.

We are developing and evaluating plans and launching initiatives for future growth, including the development of additional products and services and the expansion of Internet commerce capabilities. These plans and initiatives will involve increased levels of investment. There can be no assurance that the amount of this investment will not exceed our expectations and result in materially increased levels of expense.

The new products and services we develop may not meet acceptance in the marketplace. Also, Internet commerce initiatives involve new technologies and business methods and serve new or developing markets. There is no assurance that these initiatives will achieve targeted revenue, profit or cash flow levels or result in positive returns on our investment. Internet commerce is also a relatively recent phenomenon and may not continue to expand as a medium of commerce.

WE MAY EXPERIENCE SOFTWARE DEFECTS THAT COULD HARM OUR BUSINESS AND REPUTATION.

We use sophisticated software and computing systems. We may experience difficulties in installing or integrating our technologies on platforms used by our customers or in new environments, such as the Internet. Errors or delays in the processing of check orders 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.

ECONOMIC CONDITIONS WITHIN THE UNITED STATES COULD HAVE AN ADVERSE EFFECT ON OUR RESULTS OF OPERATIONS.

Although the recent slow-down in the United States economy has had little impact on our results of operations thus far, a prolonged general slow-down in the economy could negatively affect our business. Such a slow-down could reduce consumers' use of check products and business forms, resulting in revenue shortfalls. To mitigate any such shortfalls, we may have to increase our marketing and sales efforts, which would result in increased expense. We may also have to take steps to further decrease our cost structure. We can provide no assurance that we would be able to sustain our current levels of profitability in such a situation.

THE SPIN-OFF OF eFUNDS CORPORATION MAY NOT RESULT IN INCREASED SHAREHOLDER VALUE IN THE LONG-TERM.

In December 2000, we completed the spin-off of eFunds Corporation (eFunds). There can be no assurance that the spin-off of eFunds will result in increased value to our shareholders in the long-term for many reasons or that the separation will achieve the desired levels of efficiency or cost savings in our operations.

WE FACE UNCERTAINTY WITH RESPECT TO FUTURE ACQUISITIONS.

We have acquired complementary businesses in the past as part of our business strategy and may pursue acquisitions of complementary businesses in the future. We cannot predict whether suitable acquisition candidates can be acquired on acceptable terms or whether any acquired products, technologies or businesses will contribute to our revenues or earnings to any material extent. 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 acquired intangible assets, and thus, could adversely affect our business, results of operations and financial condition. Additionally, the success of any acquisition would depend upon our ability to effectively integrate the acquired businesses into ours. 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 we have limited or no direct prior experience, potential loss of our key employees or key employees of acquired businesses, potential exposure to unknown liabilities and possible loss of our customers or customers of the acquired businesses.

WE FACE RESTRICTIONS ON OUR ABILITY TO ACQUIRE OR ISSUE DELUXE SHARES.

Under Section 355(e) of the Internal Revenue Code, the spin-off of eFunds could be taxable if 50% or more of our shares are acquired as part of a plan or series of transactions that include the spin-off. For this purpose, any acquisitions of our shares within two years before or after the spin-off are presumed to be part of such a plan, although we may be able to rebut that presumption. As a result of the possible adverse U.S. federal income tax consequences, we may be restricted in our ability to affect certain acquisitions, to issue our shares or to execute other transactions that would result in a change of control of Deluxe. Section 355(e) of the Internal Revenue Code is not expected to place limitations on the stock repurchase program we announced in January 2001.

WE DEPEND ON A LIMITED SOURCE OF SUPPLY FOR OUR PRINTING PLATE MATERIAL AND THE UNAVAILABILITY OF THIS MATERIAL COULD HAVE AN ADVERSE EFFECT ON OUR RESULTS OF OPERATIONS.

Our check printing operations utilize a paper printing plate material that is available from only a limited number of sources. We believe we have a reliable source of supply for this material and that we maintain an inventory sufficient to avoid any production disruptions in the event of an interruption of its supply. In the event, however, that our current supplier becomes unwilling or unable to supply the required printing plate material at an acceptable price and we are unable to locate a suitable alternative source within a reasonable time frame, we would be forced to convert our 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.

WE MAY BE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY.

Despite our efforts to protect our intellectual property, third parties may infringe or misappropriate our 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 our business and ability to compete. We rely on a combination of trademark and copyright laws, trade secret protection and confidentiality and license agreements to protect our trademarks, software and know-how. We may be required to spend significant resources to protect our trade secrets and monitor and police our intellectual property rights.

Third parties may assert infringement claims against us 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 all participants in Internet commerce. Claims for infringement of these patents are increasingly becoming a subject of litigation. If we become subject to an infringement claim, we may be required to modify our products, services and technologies or obtain a license to permit our continued use of those rights. We 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 our business, operating results and prospects as a result of lost business, increased expense or being barred from offering our products or implementing our systems or other business methods. In addition, future litigation relating to infringement claims could result in substantial costs and a diversion of management resources. Adverse determinations in any litigation or proceeding could also subject us to significant liabilities and could prevent us from using or offering some of our products, services or technologies.

WE ARE DEPENDENT UPON eFUNDS FOR CERTAIN SIGNIFICANT INFORMATION TECHNOLOGY NEEDS.

We have entered into an agreement with eFunds for the provision of software development, maintenance and support services through March 31, 2005. In the event that eFunds is not able to provide adequate information technology services, we would be adversely affected. Although we believe that information technology services are available from numerous sources, a failure to perform by eFunds could cause a disruption in our business while we obtain an alternative source of supply.

LEGISLATION RELATING TO CONSUMER PRIVACY PROTECTION COULD HARM OUR BUSINESS.

Effective July 2001, we are subject to regulations implementing the privacy requirements of a new federal financial modernization law known as The Gramm-Leach-Bliley Act ("the Act"). The Act requires us 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. These new regulations could have the effect of increasing our 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. We are 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 our business, results of operations or 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 our websites and decrease the demand for our products and 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.

THE INTERNAL REVENUE SERVICE (IRS) MAY TREAT THE SPIN-OFF OF eFUNDS AS TAXABLE TO US AND TO OUR SHAREHOLDERS IF REPRESENTATIONS MADE TO THE IRS WERE INACCURATE OR IF UNDERTAKINGS MADE TO THE IRS OR THE REQUIREMENTS OF THE INTERNAL REVENUE CODE ARE NOT FULFILLED.

We have received confirmation from the IRS that, for U.S. federal income tax purposes, the spin-off of eFunds is tax-free to us and to our shareholders, except to the extent that cash was received in lieu of fractional shares. This confirmation is premised on a number of representations and undertakings made by us and by 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 us and to our shareholders who received 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 spin-off is held to be taxable, both Deluxe and our shareholders who received eFunds shares could be subject to a material amount of taxes. eFunds will be liable to us for any such taxes incurred 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 us for a portion of any taxes incurred 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 us or eFunds. eFunds may not, however, have adequate funds to perform its indemnification obligations and such indemnification obligations are only for the benefit of Deluxe and not individual shareholders.

WE MAY BE SUBJECT TO ENVIRONMENTAL RISKS.

Our check printing plants are subject to many existing and proposed federal and state regulations designed to protect the environment. In some instances, we owned and operated our check printing plants before the environmental regulations came into existence. We have sold former check printing plants to third parties and in most instances have agreed to indemnify the current owner of the facility for on-site environmental liabilities. Although we are 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 our check printing plants, we could be required to spend material amounts for environmental compliance in the future.

WE MAY BE SUBJECT TO SALES AND OTHER TAXES WHICH COULD HAVE ADVERSE EFFECTS ON OUR BUSINESS.

In accordance with current federal, state and local tax laws, and the constitutional limitations thereon, we currently collect sales, use or other similar taxes in state and local jurisdictions where our direct-to-consumer businesses have a physical presence. One or more state or local jurisdictions may seek to impose sales tax collection obligations on us and other out-of-state companies which engage in remote or online commerce. Further, tax law 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 asserts that we must collect sales or other taxes beyond our current practices, it could have a material, adverse affect on our business.

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit Number	Description	Method of Filing
3.1	Articles of Incorporation (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1990).	*
3.2	Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 ("the September 1999 10-Q")).	*
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).	*
4.6	Extension of the August 30, 1999 Credit Agreement, entered into as of August 14, 2000 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2000 ("the September 2000 10-Q")).	*
4.7	Amendment to Amended and Restated Credit Agreement dated July 8, 1997, entered into as of August 14, 2000 (incorporated by reference to Exhibit 10.5 to the September 2000 10-Q).	*
4.8	Second Amendment to Amended and Restated Credit Agreement dated July 8, 1997, entered into as of October 5, 2000 (incorporated by reference to Exhibit 4.8 to the Company's Report on Form 10-K for the Year Ended December 31, 2000 ("the 2000 10-K")).	*
4.9	Amendment to the August 30, 1999 Credit Agreement, entered into as of October 5, 2000 (incorporated by reference to Exhibit 4.9 to the 2000 10-K).	*
12.2	Statement re: computation of ratios.	Filed herewith

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*Incorporated by reference

(b) Reports on Form 8-K:

None.

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: August 6, 2001 /s/ Lawrence J. Mosner

Lawrence J. Mosner, Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Date: August 6, 2001 /s/ Douglas J. Treff

Douglas J. Treff
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

Exhibit No.	Description	Page Number
12.2	Statement re: computation of ratios	

Exhibit 12.2

DELUXE CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	SIX MONTHS ENDED JUNE 30, 2001	2000	1999	1998	1997	1996
		YEAR ENDED DECEMBER 31,				
Earnings:						
Income from continuing operations before income taxes	$138,955	$273,429	$322,582	$256,305	$147,682	$111,914
Interest expense (excluding capitalized interest)	2,230	10,837	7,620	8,040	7,289	9,406
Portion of rent expense under long-term operating leases representative of an interest factor	1,485	3,520	7,728	8,859	8,732	9,365
Amortization of debt expense	94	464	263	122	122	121
TOTAL EARNINGS	$142,764	$288,250	$338,193	$273,326	$163,825	$130,806
Fixed charges:						
Interest expense (including capitalized interest)	$ 2,230	$ 10,837	$ 8,693	$ 9,431	$ 8,209	$ 10,735
Portion of rent expense under long-term operating leases representative of an interest factor	1,485	3,520	7,728	8,859	8,732	9,365
Amortization of debt expense	94	464	263	122	122	121
TOTAL FIXED CHARGES	$ 3,809	$ 14,821	$ 16,684	$ 18,412	$ 17,063	$ 20,221
RATIO OF EARNINGS TO FIXED CHARGES	37.5	19.4	20.3	14.8	9.6	6.5