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

Form 10-K

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2005

Commission file number: 1-7945

DELUXE

DELUXE CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
_ü_ Yes _ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
_ Yes _ü_ No

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.
_ü_Yes _No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer _ü_ Accelerated filer_ Non-accelerated filer_

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

The aggregate market value of the voting stock held by non-affiliates of the registrant is $2,043,326,849 based on the last sales price of the registrant's common stock on the New York Stock Exchange on June 30, 2005. The number of outstanding shares of the registrant's common stock as of February 10, 2006, was 51,035,834.

Documents Incorporated by Reference:

1. Portions of our definitive proxy statement to be filed within 120 days after our fiscal year-end are incorporated by reference in Part III.

PART I

Item 1. Business.

Deluxe Corporation was incorporated under the laws of the State of Minnesota in 1920. From 1920 until 1988 our company was named Deluxe Check Printers, Incorporated. Our principal corporate offices are located at 3680 Victoria Street North, Shoreview, Minnesota 55126-2966. Our main telephone number is (651) 483-7111.

COMPANY OVERVIEW

Through our industry-leading businesses and brands, we help small businesses and financial institutions better manage, promote, and grow their businesses. We use direct marketing, a North American sales force, financial institution referrals, independent distributors and the internet to provide our customers a wide range of customized products and services: personalized printed items (checks, forms, business cards, stationery, greeting cards, labels, and shipping/packaging supplies), promotional products and merchandising materials, fraud prevention services and financial institution customer retention programs. We also sell personalized checks and accessories directly to consumers.

BUSINESS SEGMENTS

Our business segments consist of Small Business Services, Financial Services and Direct Checks. Our businesses are generally organized by type of customer and reflect the way we manage the company. Additional information concerning our segments appears under the caption "Note 17: Business segment information" of the Notes to Consolidated Financial Statements appearing in Item 8 of this report.

Small Business Services

Small Business Services (SBS) is comprised of New England Business Service, Inc. (NEBS), which we acquired in June 2004, and our former Business Services segment. This segment is our largest in terms of revenue, and we are concentrating on growing this segment. SBS strives to be a leading resource to small businesses by providing products and services that help them manage and build their businesses. Through SBS, we sell business checks, forms and related printed products. We also distribute packaging, shipping and warehouse supplies, advertising specialties, and printing and payroll services. SBS serves more than six million small business customers in the United States and Canada.

The majority of SBS products are distributed through more than one channel. Our primary channel is direct mail, in which promotional advertising is delivered by mail to small businesses. These efforts are supplemented by the account development efforts of an outbound telemarketing group. A field sales organization is utilized to call on small businesses, mainly under the McBee® and Chiswick® brand names. A third channel of distribution is our network of independent local dealers and Safeguard® distributors. We also utilize financial institution referrals and the internet to market and distribute our products. Customer service for initial order support, product reorders and routine service is provided by a network of call center representatives located throughout the United States and Canada.

We are focusing on the following initiatives to grow this segment:

- Expand sales to new and existing customers – Our strategy is to increase our revenue per customer by leveraging our broad portfolio of products and services and enhancing our selling techniques. SBS has designed a tiered model for segmenting small business customers. This allows us to direct our marketing approach based on order frequency, average order size, channel preference and brand loyalty. The model is designed to align our resources in the most productive and cost effective method. We also expect to explore opportunities to augment our existing portfolio of products, services, and channels through acquisitions and alliances.

- Increase new customer acquisition – We are focusing on obtaining new customers by leveraging our financial institution referral channel. This channel is a more cost effective method of new customer acquisition and provides access to small business customers in their start-up stage.

- Provide excellent customer service – We strive to increase sales to existing customers by consistently ensuring their satisfaction.

During 2005, we launched the Deluxe Business Advantage℠ program. This program provides a fast and simple way for financial institutions to offer expanded personalized service to small businesses. Our inside sales team works in combination with our direct sales force, which makes one-on-one contact with small businesses and financial institution branches more effective.

Throughout 2005, we continued to integrate NEBS operations and take advantage of synergies. As previously announced, we plan to close our Los Angeles, California and Athens, Ohio printing facilities in mid-2006, and we continue to seek other means to further increase efficiencies.

Financial Services

Financial Services supplies checks, check-related products and check merchandising services to financial institutions. We offer enhanced services to our financial institution clients, such as customized reporting, file management, expedited account conversion support and fraud prevention. Our relationships with specific financial institutions are usually formalized through supply contracts averaging three to five years in duration. Consumers and small businesses typically submit their check order to their financial institution, which in turn transmits the order to us. We process the order and ship it directly to the consumer or small business. Financial Services produces a wide range of check designs, with many consumers preferring one of the dozens of licensed or cause-related designs we offer, including Disney®, Warner Brothers®, NASCAR®, Harley-Davidson®, Coca-Cola®, Susan

G. Komen Breast Cancer Foundation, American Heart Association and National Arbor Day Foundation®. Financial Services' strategy is to increase its relevance to financial institutions by emphasizing the breadth and value of our checks and related products and services. We are leveraging our DeluxeSelect℠ merchandising platform, our Deluxe Business Advantage program and enhanced small business customer service. This is expected to create:

- Improved financial institution performance in the acquisition, penetration and retention of their small business and retail demand deposit accounts (DDA).
- Growth in financial institution channel share, creating access to small business and retail DDAs.
- Maximum small business first-time buyer flow to SBS, which is our most economic method of customer acquisition in SBS.

Our Deluxe Business Advantage program is designed to maximize financial institution business check programs by offering expanded personalized service to small businesses with a number of service level options. This program leverages the 2004 NEBS acquisition which brought us expanded product and service offerings, as well as a nationwide sales force with extensive knowledge of small business needs.

Our DeluxeSelect℠ program allows a financial institution's customers to buy checks when, where and in what manner they desire, whether it's via the phone, our voice response unit or the internet. By allowing us to perform the check merchandising function on their behalf, financial institutions have the opportunity to lower their costs, increase the profitability of their check programs and increase their brand image and customer satisfaction.

Through our ID TheftBlock® program, we offer an advanced suite of monitoring and protection services which we offer to consumers on behalf of our financial institution clients that enhances traditional identity protection tools by adding check order screening, daily credit monitoring, access to fraud resolution assistance and a comprehensive membership kit. The DeluxeCard™ Visa® gift card is a stored value prepaid gift card that allows financial institutions to meet growing consumer demand for a versatile payment tool and universal gift solution that is available to consumers via financial institutions, the internet and telephone.

We have continued to expand our Knowledge Exchange Series for financial institution clients through which we host knowledge exchange expos, conduct web seminars and host special industry conference calls, as well as offer specialized publications. Through this program, financial institutions gain knowledge and exposure to thought leaders in areas that most impact their core strategies: client loyalty, small business and retail client strategy, cost management, experience and brand enhancement. Our Collaborative initiative, a key component of the Knowledge Exchange Series, enlists a team of leading financial institution executives who meet with us over a one year timeframe to develop and test specific and focused solutions on behalf of the financial services industry. These findings and new strategies or services are then disseminated for the benefit of all our clients. Our Small Business Collaborative initiative grew out of our Knowledge Exchange Series and explores new innovative ways for financial institution clients to improve relationships with small businesses. In addition, these activities are an important part of our client retention strategy.

Direct Checks

Direct Checks is the nation's leading direct-to-consumer check supplier, selling under the Checks Unlimited® and Designer® Checks brand names. Through these two brands, we sell personal and business checks, as well as related products, using direct response marketing and the internet. We estimate the direct-to-consumer personal check printing portion of the payments industry accounts for nearly 20% of all personal checks sold. Our strategy is to maximize customer lifetime value through more effective new customer acquisition, increased customer retention and maximization of the direct segment small business opportunity.

We use a variety of direct marketing techniques to acquire new customers, including newspaper inserts, in-package advertising, statement stuffers and co-op advertising. We also use e-commerce strategies to direct traffic to our websites, which include: www.checksunlimited.com, www.designerchecks.com and www.checks.com. Our direct-to-consumer focus has resulted in a customer base of over 41 million lifetime customers, the most in the direct-to-consumer checks marketplace.

Direct Checks competes primarily on price and design. Pricing in the direct-to-consumer channel is generally lower than prices typically charged in the financial institution channel. We also compete on design by seeking to offer the most attractive selection of images with high consumer appeal, many of which are acquired or licensed from well-known photographers, artists, and organizations such as Disney, Thomas Kinkade and NASCAR.

PRODUCTS

Revenue, by product, as a percentage of consolidated revenue for the last three years was as follows:

	2005	2004	2003
Checks and related services	65.4%	75.8%	89.3%
Other printed products, including forms	17.3%	7.8%	1.7%
Accessories and promotional products	13.4%	14.0%	9.0%
Packaging supplies and other	3.9%	2.4%	—
Total revenue	100.0%	100.0%	100.0%

We are growing our sales of non-check products. This shift, along with the decline in check usage, has resulted in a decrease in our check revenue. We are the largest provider of checks in the United States, both in terms of revenue and the number of checks produced. We provide check printing and related services for approximately 7,500 financial

institution clients, as well as personalized checks, related accessories and fraud prevention services directly to small businesses and consumers.

We are a leading provider of printed forms to small businesses, providing products to more than six million customers. Printed forms include billing forms, work orders, job proposals, purchase orders, invoices and personnel forms. We produce computer forms compatible with accounting software packages commonly used by small businesses. Our stationery, letterhead, envelopes and business cards are produced in a variety of formats and ink colors. These items are designed to provide small business owners with the customized documents necessary to efficiently manage their business. We also provide promotional printed items and digital printing services designed to fulfill selling and marketing needs of the small businesses we serve.

MANUFACTURING

As one of our key strategies, we continue to focus on reducing costs and increasing productivity. An example is the lean and cellular approach utilized in many of our manufacturing facilities. Under this approach, a group of employees works together to produce products, rather than those same employees working on individual tasks in a linear fashion. Because employees assume more ownership of the end product, the results are improvements in quality and service levels and lower costs. We continue to see the benefit of these operational efficiencies in our results. The expertise we have developed in logistics, productivity and inventory management, as well as the decline in check usage due to the use of alternative payment methods, allows us to reduce the number of production facilities while still meeting client requirements. We closed six check printing facilities in 2004 and as previously announced, we plan to close two additional printing facilities in mid-2006. We have also implemented a shared services approach to manufacturing through which our three business segments share manufacturing operations. Our printing operations are being managed by region, which allows us to create centers of operational excellence that have a culture of continuous improvement. We have created blended sites to serve a variety of segments, brands and channels. As a result, we continue to reduce costs by utilizing our assets and printing technologies more efficiently and by enabling employees to better leverage their capabilities and talents.

INDUSTRY OVERVIEW

Checks

According to a Federal Reserve study released in December 2004, approximately 37 billion checks are processed annually. The check is the largest single non-cash payment method in the United States, accounting for approximately 45% of all non-cash payment transactions. However, according to our estimates, the use of checks is declining by four to five percent per year. The total transaction volume of all electronic payment methods now exceeds check payments, and we expect this trend to continue.

Small Business Customers

The Small Business Administration's Office of Advocacy defines a small business as an independent business having fewer than 500 employees. In 2004, the most recent date for which information is available, it was estimated that there were approximately 25 million small businesses in the United States. This represents 99.7% of all employers. Small businesses employ half of all private sector employees and generated over 60% of net new jobs created each year over the last decade.

The small business market is impacted by economic conditions and the rate of small business formations. Currently, small business growth is strong, which parallels the growth in the overall economy and recent Federal Reserve surveys which have noted an increase in small business loans. According to the National Federation of Independent Business (NFIB), small business optimism remained strong in 2005. In addition, sales volume and capital spending trends continued to be positive through the end of the year.

We seek to serve the needs of the small business customer. We design, produce and distribute business checks, forms, envelopes, industrial packaging and related products to help them grow and promote their business. We intend to increase our customer base through increased referrals from our financial institution channel through the Deluxe Business Advantage program. The rate checks are used by small businesses has thus far not been impacted as significantly by the use of alternative payment methods. The Formtrac 2005 report from the Document Management Industries Association (DMIA) indicates that the business check portion of the markets serviced by SBS declined at a rate of 2%-3% in 2005. The overall small business market is impacted more significantly by economic conditions and the rate at which new small businesses incorporate.

Financial Institution Clients

Checks are most commonly ordered through financial institutions. We estimate approximately 80% of all consumer checks are ordered in this manner. Financial institutions include banks, credit unions and other financial services companies. Several developments related to financial institutions have affected the check printing industry:

- Financial institutions seek to maintain the profits they have historically generated from their check programs, despite the decline in check usage. This has put significant pricing pressure on check printers.

- Financial institutions continue to consolidate through mergers and acquisitions. Often, the newly combined entity seeks to reduce costs by leveraging economies of scale in purchasing, including its check supply contracts. This results in check providers competing intensely on price in order to retain not only their previous business with the financial institution, but also to gain the business of the other party in the merger/acquisition.

- Financial institution mergers and acquisitions can also impact the duration of our contracts. Normally, the length of our contracts with financial institutions range from three to five years. However, contracts are sometimes renegotiated or bought out mid-term due to a consolidation of financial institutions.

- Larger banks may request a pre-paid product discount, made in the form of cash incentives, payable at the beginning of a contract. These contract acquisition payments negatively impact check producers' cash flows in the short-term.

Consumer Response Rates

Direct Checks has been impacted by reduced consumer response rates to direct mail advertisements. We believe that the decline in our customer response rates is attributable to the decline in check usage, an increase in financial institutions providing free checks to consumers, a general decline in direct marketing response rates and a lower number of eligible first-time customers. With such a large base of lifetime customers, fewer consumers are eligible for the lower introductory prices we offer first-time customers. We continue to evaluate our marketing techniques to ensure we utilize the most effective and affordable advertising media.

Competition

The small business forms and supplies industry is highly fragmented with many small local suppliers. We believe we are well positioned in this competitive landscape through our broad customer base, comprehensive small

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business product and service offerings, multiple distribution channels, established relationships with our financial institution clients, reasonable prices, high quality and dependable service.

In the small business forms and supplies industry, the competitive factors influencing a customer's purchase decision are product guarantees, breadth of product line, speed of delivery, product quality, price, convenience and customer service. Our primary competitors providing printed products are local printers, business form dealers, contract stationers and office product superstores. Local printers provide personalization and customization, but can have a limited variety of products and services, as well as limited printing sophistication. Office superstores offer a variety of products at competitive prices, but provide limited personalization and customization, if any. We are aware of numerous independent companies or divisions of companies offering printed products and business supplies to small businesses through direct mail, distributors or a direct sales force.

In the check printing portion of the payments industry, we face considerable competition from several other check printers, and we expect competition to remain intense as this portion of the payments industry continues to decline and financial institutions continue to consolidate. We also face competition from check printing software vendors and from internet-based sellers of checks and related products. Moreover, the check product must compete with alternative payment methods, including credit cards, debit cards, automated teller machines and electronic payment systems.

In the financial institution check printing business, the principal factors on which we compete are product and service breadth, price, quality and check merchandising program management. From time to time, some of our check printing competitors have reduced the prices of their products in an attempt to gain greater volume. The corresponding pricing pressure placed on us has resulted in reduced profit margins and some loss of business. Continuing pressure will likely result in additional margin compression. Additionally, product discounts in the form of cash incentives payable to financial institutions upon contract execution have been a practice within the industry since the late 1990's. However, both the number of financial institution clients requesting these payments and the size of the payments have increased. These up-front payments negatively impact check printers' cash flows in the short-term and may result in additional pricing pressure when the financial institution also negotiates greater product discount levels throughout the term of the contract. We are seeking to reduce our use of up-front product discounts.

Raw Materials and Supplies

The principal raw materials used in producing our main products are paper, ink and cartons, which we purchase from various sources. We also purchase stock business forms produced by third parties. We believe that we will be able to obtain an adequate supply of materials from current or alternative suppliers. We also 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.

Governmental Regulation

We are subject to regulations implementing the privacy and information security requirements of the federal financial modernization law known as the Gramm-Leach-Bliley Act (the Act) and other federal regulation and state law on the same subject. These laws and regulations require 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. Our financial institution clients request various contractual provisions in our supply contracts that are intended to comply with their obligations under the Act and other privacy and security oriented laws. The regulations require some of our businesses to provide a notice to consumers to allow them the opportunity to have their nonpublic personal information removed from our files before we share their information with certain third parties. The regulations, including the above provision, may limit our ability to use our direct-to-consumer data in our businesses.

Congress and many states have passed and are considering additional laws or regulations that, among other things, restrict the use, purchase, sale or sharing of nonpublic personal information about consumers and business customers. Laws and regulations may be adopted in the future with respect to the internet, e-commerce or marketing practices generally relating to consumer privacy. Such laws or regulations may impede the growth of the internet and/or use of other sales or marketing vehicles. For example, new privacy laws could decrease traffic to our

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websites, decrease telemarketing opportunities and decrease the demand for our products and services. We do not expect that changes to these laws and regulations will have a significant impact on our business in 2006.

Intellectual Property

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. However, intellectual property laws afford limited protection. Third parties may infringe or misappropriate our intellectual property or otherwise independently develop substantially equivalent products or services. In addition, designs licensed from third parties account for a portion of our revenue. Typically, such license agreements are effective

for a two- to three-year period. There can be no guarantee that such licenses will be renewed or will continue to be available on terms that would allow us to continue to be profitable with these products.

EMPLOYEES

As of December 31, 2005, we employed 8,310 employees in the United States and 410 employees in Canada. None of our employees are represented by labor unions, and we consider our employee relations to be good.

AVAILABILITY OF COMMISSION FILINGS

We make available through the Investor Relations section of our website, www.deluxe.com, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after these items are electronically filed with or furnished to the Securities and Exchange Commission (SEC). These reports can also be accessed via the SEC website, www.sec.gov, or via the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. Information concerning the operation of the SEC's Public Reference Room can be obtained by calling 1-800-SEC-0330.

A copy of this report may be obtained without charge by calling 1-888-359-6397 (1-888-DLX-NEWS) or by sending a written request to Investor Relations, Deluxe Corporation, P.O. Box 64235, St. Paul, Minnesota 55164-0235.

CODE OF ETHICS AND CORPORATE GOVERNANCE GUIDELINES

We have adopted a Code of Ethics and Business Conduct which applies to all of our employees and our board of directors. The Code of Ethics and Business Conduct is available in the Investor Relations section of our website, www.deluxe.com, and also can be obtained free of charge upon written request to the attention of Investor Relations, Deluxe Corporation, P.O. Box 64235, St. Paul, Minnesota 55164-0235. Any changes or waivers of the Code of Ethics and Business Conduct will be disclosed on our website. In addition, our Corporate Governance Guidelines and the charters of the Audit, Compensation, Corporate Governance and Finance Committees of our board of directors are available on our website or upon written request.

EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers are elected by the board of directors each year. The following summarizes our executive officers and their positions.

Name	Age	Present Position	Executive Officer Since
Ronald E. Eilers	58	President and Chief Executive Officer	1996
Anthony C. Scarfone	44	Senior Vice President, General Counsel and Secretary	2000
Richard L. Schulte	49	Senior Vice President, President – Small Business Services	2000
Douglas J. Treff	48	Senior Vice President and Chief Financial Officer	2000
Luann Widener	48	Senior Vice President, President – Manufacturing Shared Services, Supply Chain and Financial Services	2003
Terry D. Peterson	41	Vice President, Controller and Chief Accounting Officer	2005

Ronald E. Eilers has served as president and chief executive officer since November 2005. From December 2000 to November 2005 he served as our president and chief operating officer.

Anthony C. Scarfone joined us in September 2000 as senior vice president, general counsel and secretary.

Richard L. Schulte was named senior vice president in December 2000 and has served as president of our Small Business Services segment since July 2000.

Douglas J. Treff joined us in October 2000 as senior vice president and chief financial officer.

Luann Widener was named senior vice president, president of manufacturing shared services, supply chain and Financial Services effective March 1, 2006. From June 2003 to February 2006, Ms. Widener served as senior vice president, human resources and in December 2005, she assumed responsibility for our manufacturing and supply chain operations. From July 2000 to June 2003, Ms. Widener served as vice president of manufacturing operations for our Financial Services segment.

Terry D. Peterson was named chief accounting officer in March 2005. Mr. Peterson joined us in September 2004 and served as director of internal audit until March 2005. From August 2002 until August 2004, Mr. Peterson was vice president and controller of the GCS Services Division of Ecolab, Inc., a worldwide developer and marketer of premium

cleaning and sanitation products. Before joining Ecolab, Inc., Mr. Peterson held executive finance positions with Provell, Inc. (formerly Damark International, Inc.), a developer of customized marketing programs and services, including corporate controller from March 1999 to September 2001 and acting chief financial officer and controller from September 2001 to August 2002.

Item 1A. Risk Factors.

The check printing portion of the payments industry is mature and, if it declines faster than expected, it could have a materially adverse impact on our operating results.

Check printing is, and is expected to continue to be, an essential part of our business, representing approximately 65% of our revenue in 2005. 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, the total number of checks written by individuals and small businesses continued to decline approximately four to five percent each year over the past three years, and the total number of checks written in the United States has been in decline since the mid-1990's. We believe that the number of checks written 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, whether as a result of legislative developments, personal preference or otherwise, 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 are the leading check printer in the United States, we face considerable competition. In addition to competition from alternative payment systems, we also face intense competition from other check printers in our traditional financial institution sales channel, from direct mail sellers of checks, from sellers of business checks and forms, from check printing software vendors and from internet-based sellers of checks to individuals and small businesses. Additionally, low-price, high volume office supply chain stores offer standardized business forms, checks and related products to small businesses. 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 profit margins, loss of customers and an increase in up-front cash payments to financial institutions upon contract execution or renewal.

Continuing softness in direct mail response rates could have a further adverse impact on our operating results.

Our Direct Checks segment and portions of our Small Business Services segment have experienced declines in response and retention rates related to direct mail promotional materials. We believe that media response rates are declining across a wide variety of products and services. Additionally, we believe that our declines are attributable to the decline in check usage, the gradual obsolescence of standardized forms products and an increase in financial institutions offering free checks to consumers. To offset these impacts, we may have to modify and/or increase our marketing and sales efforts, which could result in increased expense.

The profitability of our Direct Checks segment depends in large part on our ability to secure adequate advertising media placements at acceptable rates, as well as the consumer response rates generated by such advertising, and there can be no assurances regarding the future cost, effectiveness and/or availability of suitable advertising media. Competitive pressure may inhibit our ability to reflect any of these increased costs in the prices of our products. We can provide no assurance that we will be able to sustain our current levels of profitability in this situation.

Consolidation among financial institutions may adversely affect the pricing of our products.

The number of financial institutions has declined due to large-scale consolidation in the last few years. Margin pressures arise from such consolidation as merged entities seek to reduce costs by leveraging economies of scale in purchasing, including their check supply contracts. This increases the importance of retaining our major financial institution clients and attracting additional clients in an increasingly competitive environment. The increase in general negotiating leverage possessed by such consolidated entities typically results in new and/or renewed contracts which are not as favorable as those historically negotiated with these clients. Although we devote considerable effort toward 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 financial institution clients will be retained or that the loss of a significant client can be counterbalanced through the addition of new clients or by expanded sales to our remaining clients.

Standardized business forms and related products face technological obsolescence and changing customer preferences.

Continual technological improvements have provided small business customers with alternative means to enact and record business transactions. For example, because of the lower price and higher performance capabilities of personal computers and related printers, small businesses now have an alternate means to print business forms. Additionally, electronic transaction systems and off-the-shelf business software applications have been designed to automate several of the functions performed by business forms products. If small business customer preferences change rapidly and we are unable to develop new products and services with comparable profit margins, our results of operations could be adversely affected.

Our failure to successfully implement a project we have undertaken to replace major portions of our existing order capture, billing and pricing systems would negatively impact our business.

During 2006, we will continue to expand our use of the SAP software platform with the planned installation of the SAP sales and distribution module in a portion of our business. Once implemented, we expect the new system to reduce redundancy while standardizing systems and processes and reducing our costs. This is a significant information systems project with wide-reaching impacts on our internal operations and business. We can provide no assurance that the amount of this investment will not exceed our expectations and result in materially increased levels of expense or asset impairment charges. There is also no assurance that this initiative will achieve the expected cost savings or result in a positive return on our investment. Additionally, if the new system does not operate as intended, or is not implemented as planned, there could be disruptions in our business which could adversely affect our results.

We face uncertainty with respect to recent and future acquisitions.

We acquired NEBS in June 2004 and have stated that we expect growth in our Small Business Services segment as we implement the business strategies contemplated at the time of the acquisition. The integration of any acquisition involves numerous risks, including, among others, difficulties in assimilating operations and products, diversion of management's attention from other business concerns, potential loss of our key employees or key employees of acquired businesses, potential exposure to unknown liabilities and possible loss of our clients and customers or clients and customers of the acquired businesses. While we anticipate that we will be able to achieve our stated objectives, we can provide no assurance that one or more of these factors will not negatively impact our results of operations.

In regard to future acquisitions, 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. Significant acquisitions typically result in the incurrence of contingent liabilities or debt, or additional amortization expense related to acquired intangible assets, and thus, could adversely affect our business, results of operations and financial condition.

Costs incurred to implement our growth strategies within Small Business Services may exceed our expectations.

As we execute our growth strategies within Small Business Services, we will incur additional costs, such as hiring and supporting a significant number of sales and call center personnel in early 2006. We can provide no assurance that these costs will not significantly exceed our expectations or that we will be able to hire enough qualified candidates to meet our sales targets. Additionally, we can provide no assurance that our strategy to expand sales to new and existing customers will be successful and result in a positive return on our investment.

Forecasts involving future results reflect various assumptions that may prove to be incorrect.

From time to time, we make predictions or forecasts regarding our future results, including, but not limited to, forecasts regarding estimated revenues, earnings, earnings per share or operating cash flow. 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 mix of historical and forward-looking information made available by us, and other information affecting us and our products and services, including the factors discussed here.

In addition, independent analysts periodically publish reports regarding our projected future performance. 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 accuracy of the published estimates of independent analysts. If you are relying on these estimates, you should pursue your own investigation and analysis of their accuracy and the reasonableness of the assumptions on which they are based.

We may be unable to protect our rights in 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. In addition, designs licensed from third parties account for a portion of our revenues, and there can be no guarantee that such licenses will be available to us indefinitely or on terms that would allow us to continue to be profitable with those products. 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.

We are dependent upon third party providers for certain significant information technology needs.

We have entered into agreements with third party providers for information technology services, including software development and support services, and personal computer, telecommunications, network server and help desk services. In the event that one or more of these providers is not able to provide adequate information technology

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services, we would be adversely affected. Although we believe that information technology services are available from numerous sources, a failure to perform by one or more of our service providers 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.

We are subject to regulations implementing the privacy and information security requirements of the federal financial modernization law known as the Gramm-Leach-Bliley Act and other federal regulation and state law on the same subject. These laws and regulations require 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 regulations could have the effect of foreclosing future business initiatives. In addition, new technologies and higher criminal capabilities may breach or compromise the security of consumers' nonpublic personal information.

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, e-commerce or marketing practices generally relating to consumer privacy. Such laws or regulations may impede the growth of the internet and/or use of other sales or marketing vehicles. As an example, new privacy laws could decrease traffic to our websites, decrease telemarketing opportunities and increase the cost of obtaining new customers. 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.

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 currently 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.

We may be subject to environmental risks.

Our printing facilities are subject to many existing and proposed federal and state regulations designed to protect the environment. In some instances, we owned and operated our printing facilities before the environmental regulations came into existence. We have sold former printing facilities to third parties and in some instances have agreed to indemnify the buyer of the facility for certain environmental liabilities. We have obtained insurance coverage related to environmental issues at certain of these facilities. We believe that, based on current information, we will not be required to incur additional material and uninsured expense with respect to these sites, but unforeseen conditions could result in additional exposure at lesser levels.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive office is an owned property located in Shoreview, Minnesota. Aside from small sales offices, we occupy 31 facilities throughout the United States and three facilities in Canada where we conduct printing, call center, distribution, administration, and sales and marketing functions. These facilities are either owned

or leased and have a combined floor space of approximately 3.3 million square feet. We believe that our properties are sufficiently maintained and are adequate and suitable for our business needs as presently conducted.

Item 3. Legal Proceedings.

We are involved in routine litigation incidental to our business, but there are no material pending legal proceedings to which we are a party or to which any of our property is subject.

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

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the New York Stock Exchange under the symbol DLX. During the years ended December 31, 2005 and 2004, we declared dividends of $0.40 per share and $0.37 per share, respectively, during each quarterly period, for a total annual dividend of $1.60 for 2005 and $1.48 for 2004. Dividends are declared by our board of directors on a current basis and therefore, may be subject to change in the future, although we currently have no plans to change our dividend amount. As of December 31, 2005, the number of shareholders of record was 8,880. The table below shows the per share closing price ranges of our common stock for the past two fiscal years as quoted on the New York Stock Exchange.

Stock price	High	Low	Close
2005			
Quarter 4	$ 39.96	$ 29.70	$ 30.14
Quarter 3	43.20	38.14	40.16
Quarter 2	41.84	38.21	40.60
Quarter 1	40.63	35.05	39.86
2004			
Quarter 4	$ 42.20	$ 36.02	$ 37.33
Quarter 3	45.09	39.95	41.02
Quarter 2	43.60	40.05	43.50
Quarter 1	42.91	38.47	40.10

In August 2003, our board of directors approved an authorization to purchase up to 10 million shares of our common stock. This authorization has no expiration date and 7.9 million shares remain available for purchase under this authorization. During the fourth quarter of 2005, we did not purchase any of our own equity securities under this authorization, and we have not completed any such purchases since the second quarter of 2004. We do not expect to repurchase a significant number of additional shares in the near future, as we intend to focus on reducing our outstanding debt. However, we have not terminated this authorization and may purchase additional shares under this authorization in the future.

While not considered repurchases of shares, we do at times withhold shares that would otherwise be issued under equity-based awards to cover the withholding taxes due as a result of the exercising or vesting of such awards. During the fourth quarter of 2005, we withheld 22,306 shares in conjunction with the vesting of restricted stock and restricted stock units.

Item 6. Selected Financial Data.

(dollars and orders in thousands, except per share and per order amounts)	**2005**	**2004**	**2003**	**2002**	**2001**
Statement of Income Data:					
Revenue[1]	$ 1,716,294	$ 1,567,015	$ 1,242,141	$ 1,283,983	$ 1,278,375
As a percentage of revenue:					
Gross profit	64.6%	65.8%	65.7%	66.1%	64.5%
Selling, general and administrative expense	46.8%	43.6%	40.0%	39.2%	40.4%
Operating income[2]	17.8%	22.2%	25.7%	26.9%	23.6%
Operating income[2]	$ 304,839	$ 347,912	$ 318,921	$ 344,931	$ 301,938
Earnings before interest, taxes, depreciation and amortization of intangibles and goodwill (EBITDA)[2] [3]	414,391	442,210	378,334	403,331	374,732
Earnings before interest and taxes (EBIT)[2] [3]	306,043	348,354	318,252	345,126	300,750
Income from continuing operations[2]	157,963	198,648	192,472	214,274	185,900
Per share – basic	3.12	3.96	3.53	3.41	2.72
Per share – diluted	3.10	3.93	3.49	3.36	2.69
Cash dividends per share	1.60	1.48	1.48	1.48	1.48
Balance Sheet Data:					
Cash and marketable securities	6,867	15,492	2,968	124,855	9,571
Return on average assets	10.8%	19.2%	31.2%	35.5%	31.1%
Total assets	$ 1,425,875	$ 1,499,079	$ 562,960	$ 668,973	$ 537,721
Long-term obligations[4]	954,164	980,207	381,694	308,199	11,465
Total debt	1,166,510	1,244,207	594,944	308,199	161,465
Statement of Cash Flows Data:					
Net cash provided by operating activities of continuing operations	178,279	307,591	181,467	257,139	270,623
Free cash flow[5]	41,355	189,472	78,980	123,491	140,075
Purchases of capital assets	55,653	43,817	22,034	40,708	28,775
Payments for common shares repurchased	—	26,637	507,126	172,803	345,399
Total debt to EBITDA[3]	2.8	2.8	1.6	0.8	0.4
Total debt to net income	7.4	6.3	3.1	1.4	0.9
EBIT[3] to interest expense	5.4	10.6	16.5	68.0	53.9
Net income to interest expense	2.8	6.0	10.0	42.2	33.3
Free cash flow[5] to total debt	3.6%	15.2%	13.3%	40.1%	86.8%
Net cash provided by operating activities of continuing operations to total debt	15.3%	24.7%	30.5%	83.4%	167.6%

Other Data as of Year-end (continuing operations):					
Orders[6]	65,189	76,276	77,347	79,346	83,263
Revenue per order	$ 26.33	$ 20.54	$ 16.06	$ 16.18	$ 15.35
Number of employees	8,720	8,957	5,805	6,197	6,842
Number of printing facilities	16	16	14	14	14
Number of call center facilities	13	13	7	7	7

(1) Our results of operations for the years ended December 31, 2005 and 2004 were impacted by the acquisition of New England Business Service, Inc. (NEBS) on June 25, 2004. NEBS contributed revenue of $671.2 million in 2005 and $363.2 million in 2004. We are not able to quantify NEBS' contribution to operating income because of its integration with our other businesses.

(2) Our results of operations for the years ended December 31, 2005 and 2004 were impacted by the adoption of the fair value method of accounting for stock-based compensation outlined in Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*. Expense recognized for stock-based compensation in each year was as follows: 2005 — $7,003; 2004 — $12,248; 2003 — $954; 2002 — $3,102; 2001 — $4,083.

Our results of operations for the four years ended December 31, 2005 were impacted by the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*. Under this statement, goodwill is not amortized, but is subject to impairment testing on at least an annual basis. Thus, we have not recorded goodwill amortization expense since 2001 when expense of $6,188 was recorded.

(3) EBITDA and EBIT are not measures of financial performance under generally accepted accounting principles (GAAP) in the United States of America. We disclose these measures because they can be used to analyze profitability between companies and industries by eliminating the effects of financing (i.e., interest) and capital investments (i.e., depreciation and amortization). We believe these measures can indicate whether a company's earnings are adequate to pay its debts without regard to financing, capital structure or income taxes. We also believe that increases in these measures depict increased ability to attract financing and increase the valuation of our business. We do not consider these measures to be substitutes for performance measures calculated in accordance with GAAP. Instead, we believe that these are useful performance measures which should be considered in addition to those measures reported in accordance with GAAP. These measures are derived from net income as follows:

	2005	2004	2003	2002	2001
EBITDA	$ 414,391	$ 442,210	$ 378,334	$ 403,331	$ 374,732
Depreciation	(28,993)	(27,330)	(22,773)	(23,953)	(30,605)
Amortization of intangibles	(79,355)	(66,526)	(37,309)	(34,252)	(37,189)
Amortization of goodwill	—	—	—	—	(6,188)
EBIT	306,043	348,354	318,252	345,126	300,750
Interest expense, net	(55,309)	(31,481)	(18,872)	(4,404)	(3,216)
Provision for income taxes	(92,771)	(118,225)	(106,908)	(126,448)	(111,634)
Net loss from discontinued operations	(442)	(657)	—	—	—
Net income	$ 157,521	$ 197,991	$ 192,472	$ 214,274	$ 185,900

(4) Long-term obligations include both the current and long-term portions of our long-term debt.

(5) Free cash flow is not a measure of financial performance under GAAP in the United States of America. We monitor free cash flow on an ongoing basis, as it measures the amount of cash generated from our operating performance after investment initiatives and the payment of dividends. It represents the amount of cash available for the payment of debt and for general corporate purposes and strategic initiatives. We do not consider free cash flow to be a substitute for performance measures calculated in accordance with GAAP. Instead, we believe that free cash flow is a useful liquidity measure which should be considered in addition to those measures reported in accordance with GAAP. The measure of free cash flow to total debt is a liquidity measure which illustrates to what degree our free cash flow covers our existing debt. Free cash flow is derived from net cash provided by operating activities of continuing operations as follows:

	2005	2004	2003	2002	2001
Free cash flow	$ 41,355	$ 189,472	$ 78,980	$ 123,491	$ 140,075
Purchases of capital assets	55,653	43,817	22,034	40,708	28,775
Cash dividends paid to shareholders	81,271	74,302	80,453	92,940	101,773
Net cash provided by operating activities of continuing operations	$ 178,279	$ 307,591	$ 181,467	$ 257,139	$ 270,623

(6) Orders is our company-wide measure of volume. When portions of a customer order are on back-order, one customer order may be fulfilled via multiple shipments. Generally, an order is counted when the last item ordered is shipped to the customer.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

EXECUTIVE OVERVIEW

Our businesses are organized into three segments: Small Business Services, Financial Services and Direct Checks. Our Small Business Services segment generated 54.3% of our 2005 consolidated revenue. This segment sells checks, forms and related products to more than six million small businesses and home offices through direct response marketing, financial institution referrals, independent distributors, sales representatives and the internet. Small Business Services is comprised of New England Business Service, Inc. (NEBS), which we acquired in June 2004, and our former Business Services segment. Our Financial Services segment generated 31.3% of our 2005 consolidated revenue. This segment sells personal and business checks and related products and services to approximately 7,500 financial institution clients nationwide, including banks, credit unions and financial services companies. Our Direct Checks segment generated 14.4% of our 2005 consolidated revenue. This segment is the nation's leading direct-to-consumer check supplier, selling under the Checks Unlimited® and Designer® Checks brands via direct response marketing and the internet. All three of our segments operate primarily in the United States. Small Business Services also has operations in Canada.

Our results of operations for 2005 were negatively impacted by lower volume in our Financial Services and Direct Checks segments caused by financial institution client losses, consolidations among financial institutions, the continuing decline in check usage and lower direct mail consumer response rates. Continuing pricing pressure in our Financial Services segment also had a negative impact. Partially offsetting these negative trends was the full-year impact of the NEBS acquisition and the resulting synergies. Additionally, we realized the benefit of several cost reduction initiatives undertaken in response to declining revenue in Financial Services and Direct Checks.

As we begin 2006, our focus is shifting from integrating NEBS to executing strategies we believe will drive sustained growth in Small Business Services. The foundation of these strategies is the interdependency between our Small Business Services and Financial Services segments. The relationships we have with financial institutions help generate small business referrals, which we serve through our Small Business Services segment. We believe Small Business Services provides one of the most comprehensive product offerings for small businesses. This allows us to meet the needs of small businesses, which in turn, strengthens our ability to retain and acquire clients in our Financial Services segment as we enable them to better serve small business customers. Examples of steps we have already taken toward executing our strategies include the following:

- Launching our new Deluxe Business Advantage[SM] program, which provides a fast and simple way for financial institutions to offer expanded personalized service to small businesses. Our inside sales team is combined with our direct sales force, which makes one-on-one contact with small businesses and financial institution branches more effective. This model is designed to align our resources in the most productive and cost effective manner. We will continue to roll this program out in 2006 which will require additional investment, especially in early 2006, as we expand our sales force. We believe these investments, which are primarily in personnel, will begin to yield benefits immediately and will deliver positive returns in the second half of 2006.

- Focusing our sales team on expanding sales to new and existing customers. In addition to increasing order sizes, we are also focused on providing products to our customers that they currently purchase from other suppliers. For example, we are providing incentives to our sales team when they sell new products to existing customers and we have implemented enhancements to the scripts used by our sales associates when interacting with customers. With the breadth of our products, we can meet many of the needs of small businesses, thereby simplifying their purchasing process and increasing our revenue.

- Designing and piloting a tiered model for segmenting small business customers. This tiered model allows us to direct our marketing approach based on how often a customer orders, the dollar value of an average order, which order channel the customer prefers and their loyalty to our brand or brands.

Two of our largest product groups, checks and business forms, are mature products and their use has been declining. According to our estimates, the total number of checks written in the United States has been in decline as a result of alternative payment methods, including credit cards, debit cards, automated teller machines and electronic payment systems. A 2004 Federal Reserve study reported that the check is still the largest single non-cash payment method in the United States, accounting for approximately 45% of all non-cash payments processed in 2003, down from 2000 when checks comprised approximately 60% of all non-cash payments. The Federal Reserve Study also indicated that consumer checks are declining faster than business checks. In addition, continual technological improvements have provided small business customers with alternative means to enact and record business transactions. For example, electronic transaction systems and off-the-shelf business software applications have been designed to automate several of the functions performed by business forms products.

Because check usage is declining and financial institutions are consolidating, we also have been encountering significant pricing pressure when negotiating contracts with our financial institution clients. Our traditional financial institution relationships are typically formalized through supply contracts averaging three to five years in duration. As we compete to retain and obtain financial institution business in the face of declining volume, the resulting pricing pressure has reduced our profit margins, and we expect this trend to continue.

We acquired several new financial institution clients in 2005, including three major financial institutions, and we have renewed our relationship with another major client. We expect to see the full impact of these new clients in the second quarter of 2006. At the same time, mid-2005 client losses from financial institution consolidations will have a negative impact on revenue in comparison to 2005, especially in the early portions of 2006. During 2006, we expect our share of the financial institution channel to increase.

Our Direct Checks segment and portions of our Small Business Services segment have been impacted by reduced customer response rates to direct mail advertisements. The DMA 2004 Response Rate Report published by the Direct Marketing Association and our own experience indicate that direct-to-consumer media response rates are declining across a wide variety of products and services. Additionally, we believe that the decline in our customer response rates is attributable to the decline in check usage, the gradual obsolescence of standardized forms products and an increase in financial institutions providing free checks to consumers. Moreover, with over 41 million customers who have purchased from our Direct Checks segment since its inception, fewer consumers are eligible for the lower introductory prices we offer first-time customers.

We continue to focus on cost management and operational excellence. As previously announced, we intend to close two printing facilities by mid-2006. The application of lean principles in our manufacturing area continues to result in increased efficiencies, and we are applying these principles throughout the rest of the company. During 2006, we plan to complete our installation of a new order capture system in portions of our order processing and call center operations. This new system is expected to lower our information technology infrastructure costs by reducing redundancy while standardizing systems and processes.

After considering the factors previously discussed, we expect that 2006 earnings will decrease from 2005. We estimate that diluted earnings per share will be between $2.70 and $2.90 for 2006, versus $3.09 for 2005, which reflects the following key differentiators from 2005:

- Revenue and operating income will continue to decline in Financial Services and Direct Checks due to financial institution client losses in mid-2005, as well as lower check usage, continued pricing pressure in Financial Services and lower direct marketing response rates in Direct Checks. However, we expect our share of the financial institution channel to grow in 2006 as we bring on recent client wins.

- Additional investments to execute our Small Business Services strategy and roll out our new order capture system are expected to negatively impact earnings in the first half of the year, but should deliver positive returns beginning in the third quarter.

- We expect Small Business Services to deliver mid-single digit revenue growth with additional growth in operating income based upon results from our launch of Deluxe Business Advantage and other key initiatives.

We anticipate that operating cash flow will be between $240 million and $260 million in 2006, compared to $178 million in 2005. The increase in 2006 will be due primarily to anticipated decreases in contract acquisition payments to financial institution clients as fewer large clients are up for renewal in 2006 and we are seeking to reduce our use of up-front product discounts. Additionally, payments for performance-based employee compensation will be lower in 2006 based on our 2005 operating performance and we anticipate other positive working capital changes. In addition, we expect capital spending to be approximately $50 million in 2006.

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated Revenue

(in thousands, except per order amounts)	2005	2004	2003	Percent change 2005 vs. 2004	Percent change 2004 vs. 2003
Revenue	$ 1,716,294	$ 1,567,015	$ 1,242,141	9.5%	26.2%
Orders	65,189	76,276	77,347	(14.5%)	(1.4%)
Revenue per order	$ 26.33	$ 20.54	$ 16.06	28.2%	27.9%

As NEBS was acquired in June 2004, the full year impact of NEBS operations contributed an increase in revenue of $308.0 million in 2005. The $158.7 million decrease in revenue for our other businesses compared to 2004 was primarily due to a decline in volume for our Financial Services and Direct Checks segments. The loss of a large financial institution client in late 2004 was the largest single contributor to the volume decline. In addition, the volume decrease was due to the overall decline in check usage, mid-2005 client losses due to financial institution consolidations and the following factors specific to our Direct Checks segment: lower direct mail consumer response rates, lower customer retention and an increase in financial institutions offering free checks to consumers. On a total company basis, financial institution free check programs result in either the sale of a lower-priced product or a lost sale, depending on whether the financial institution is a client of our Financial Services segment. Revenue was also negatively affected by continued pricing pressure in our Financial Services segment. Partially offsetting these decreases was increased revenue per order for our Direct Checks segment due to a shift from the mail order channel to the internet and phone order channels, which typically result in higher revenue per order and a higher percentage of reorders. Additionally, Direct Checks reorders, which generate higher revenue per order, have become a larger percentage of total orders, and we benefited from price increases in our Small Business Services segment. Contract termination payments did not have a significant impact on our 2005 revenue, as compared to 2004, as the amount of these payments was comparable each year.

The number of orders decreased in 2005, as compared to 2004, despite the full year impact of the NEBS acquisition. The volume decreases at Financial Services and Direct Checks exceeded the positive impact of the NEBS acquisition. Revenue per order increased in 2005, as compared to 2004, as Small Business Services orders increased as a percentage of total orders and Direct Checks revenue per order increased as discussed earlier.

The acquisition of NEBS contributed revenue of $363.2 million in 2004. The $38.3 million decrease in revenue for our other businesses compared to 2003 was due to a decline in volume resulting from the decline in check usage and the following factors specific to our Direct Checks segment: lower direct mail consumer response rates, longer reorder cycles due to promotional strategies for multi-box orders and lower customer retention. These volume decreases were partially offset by increased financial institution referrals for our Small Business Services segment. Partially offsetting the volume decline was an increase in revenue per order as compared to 2003 due to continued strength in selling premium-priced licensed and specialty check designs, price increases in our Direct Checks and Small Business Services segments and a $7.7 million contract termination payment from a former financial institution client in the third quarter of 2004. These increases were partially offset by increased competitive pricing pressure within our Financial Services segment.

The number of orders decreased in 2004, as compared to 2003, despite the NEBS acquisition in June 2004, as volume decreases at Financial Services and Direct Checks offset the increase from the NEBS acquisition. Revenue

per order increased in 2004, as compared to 2003, primarily due to the increase in Small Business Services orders as a percentage of total orders.

Supplemental information regarding revenue by product is as follows:

(in thousands)	2005	2004	2003	Percent change 2005 vs. 2004	Percent change 2004 vs. 2003
Checks and related services	$ 1,123,255	$ 1,187,178	$ 1,108,880	(5.4%)	7.1%
Other printed products, including forms	296,075	122,305	21,276	142.1%	474.8%
Accessories and promotional products	230,249	220,255	111,985	4.5%	96.7%
Packaging supplies and other	66,715	37,277	—	79.0%	—
Total revenue	$ 1,716,294	$ 1,567,015	$ 1,242,141	9.5%	26.2%

Due to the addition of NEBS non-check revenue, as well as the revenue declines within Financial Services and Direct Checks, the percentage of total revenue derived from the sale of checks and related services decreased to 65.4% in 2005 from 75.8% in 2004 and 89.3% in 2003. Small Business Services contributed non-check revenue of $521.1 million in 2005 and $297.4 million in 2004, from the sale of forms, envelopes, packaging supplies, holiday cards, labels, business cards, stationery and other promotional products.

Consolidated Gross Margin

(in thousands)	2005	2004	2003	Percent change 2005 vs. 2004	2004 vs. 2003
Gross profit	$ 1,107,933	$ 1,031,066	$ 816,176	7.5%	26.3%
Gross margin	64.6%	65.8%	65.7%	(1.2) pt.	0.1 pt.

Gross margin decreased in 2005, as compared to 2004, due in large part to the full year impact of NEBS operations. NEBS historical gross margins have been seven to eight points lower than our other businesses because of its non-check product mix. This resulted in a 2.5 percentage point decrease in our consolidated gross margin in 2005. Additionally, pricing pressure in our Financial Services segment continued to impact our gross margin. Offsetting these decreases was the increase in Direct Checks revenue per order discussed earlier, on-going cost management efforts, including the closing of six printing facilities in 2004, continued productivity improvements, as well as cost synergies resulting from the NEBS acquisition and lower performance-based employee compensation.

Gross margin was flat in 2004, as compared to 2003. Higher revenue per order, as well as continued productivity improvements and on-going cost management efforts, including the closing of six printing facilities in 2004, were offset by the impact of the lower margin NEBS business and the continued pricing pressure facing our Financial Services segment.

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

(in thousands)	2005	2004	2003	Percent change 2005 vs. 2004	2004 vs. 2003
Selling, general and administrative expense	$ 803,094	$ 683,154	$ 497,255	17.6%	37.4%
SG&A as a percentage of revenue	46.8%	43.6%	40.0%	3.2 pt.	3.6 pt.

The increase in SG&A expense in 2005, as compared to 2004, was primarily due to the full year impact of expenses of the acquired NEBS business, an increase of $18.0 million in acquisition-related amortization expense and an increase of $8.9 million in integration expenses. Partially offsetting these increases were a $19.7 million decrease in performance-based employee compensation, cost reductions in response to declining revenue, cost

synergies resulting from the NEBS acquisition and a $6.2 million decrease in Direct Checks advertising expense primarily due to spending for new product initiatives in 2004.

SG&A expense as a percentage of revenue increased in 2005, as compared to 2004, primarily due to the decline in revenue for Financial Services and Direct Checks being greater than the reduction in fixed SG&A expense. Additionally, NEBS results increased our SG&A percentage by 0.7 percentage points. NEBS has historically had a higher SG&A percentage than our other businesses due to its greater reliance on direct mail and a direct sales force to acquire and retain customers, as well as its decentralization of SG&A functions. Additionally, as previously discussed, these results included an increase of $18.0 million in acquisition-related amortization expense and an increase of $8.9 million in integration expenses.

The increase in SG&A expense in 2004, as compared to 2003, was primarily due to expenses of the acquired NEBS business, including $19.1 million of additional acquisition-related amortization expense and $7.1 million of integration expenses, a $12.7 million increase in performance-based employee compensation due to our 2004 operating performance exceeding planned amounts, a $10.3 million increase in stock-based compensation due to the adoption of the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123 and a $4.7 million increase in Direct Checks advertising expense due to new product efforts. Partially offsetting these increases were cost management efforts, including savings realized from employee reductions, lower discretionary spending and $5.3 million of asset impairment losses in 2003. The asset impairment losses related to manufacturing technologies and software. We had been intending to implement the manufacturing technologies during 2003. However, having already realized many efficiencies in our manufacturing function as a result of other initiatives, including the implementation of lean manufacturing, the incremental benefits expected from these technologies no longer warranted their implementation. The impaired software was intended to replace several of our existing systems and bring various technologies used by the company onto one platform. However, based on our continuing evaluation of investment initiatives, we determined that the costs to implement the system and the timeline for implementation did not result in an adequate return on our investment. The majority of the impaired assets had no alternative use and could not be sold to third parties. Thus, these assets were written down to a carrying value of zero. Certain related hardware was sold to third parties and was written down to its fair value less costs to sell. Of the total asset impairment losses, $3.6 million related to property, plant and equipment and $1.7 million related to intangible assets.

SG&A expense as a percentage of revenue increased in 2004, as compared to 2003, primarily as a result of NEBS historically higher SG&A percentage. Additionally, as discussed above, NEBS results included $19.1 million of additional acquisition-related amortization expense and $7.1 million of integration expenses.

Interest Expense

(in thousands)	2005	2004	2003	Percent change 2005 vs. 2004	2004 vs. 2003
Interest expense	$ 56,604	$ 32,851	$ 19,241	72.3%	70.7%
Weighted-average debt outstanding	1,225,569	942,617	468,408	30.0%	101.2%
Weighted-average interest rate	4.18%	3.27%	3.67%	0.91 pt.	(0.4) pt.

The increase in interest expense in 2005, as compared to 2004, was due to higher interest rates and the higher average debt level resulting from the full-year impact of financing the acquisition of NEBS. The increase in interest expense in 2004, as compared to 2003, was due to our higher average debt level resulting from the acquisition of NEBS, partially offset by lower interest rates.

Provision for Income Taxes

(in thousands)		2005		2004		2003	Percent change 2005 vs. 2004	 2004 vs. 2003
Provision for income taxes	$	92,771	$	118,225	$	106,908	(21.5%)	10.6%
Effective tax rate		37.0%		37.3%		35.7%	(0.3) pt.	1.6 pt.

The decrease in our effective tax rate for 2005, as compared to 2004, was primarily due to the new federal qualified production activity deduction which was passed as part of the American Jobs Creation Act of 2004, as well as changes in our state tax rates due to changes in our legal entity structure. These impacts were partially offset by lower tax credits in 2005 and the positive impact in 2004 of refunds received for prior year state income tax credits and an increase in our estimate of 2004 state income tax credits. We expect our 2006 tax rate to be approximately 37%.

The increase in our effective tax rate for 2004, as compared to 2003, was primarily due to the reversal of $7.3 million of previously established income tax reserves during 2003. A prior year federal audit period was closed due to the expiration of the statute of limitations, and we reached agreements with two states to favorably settle proposed income tax audit assessments. As a result, the related reserves were no longer required. These reversals lowered our 2003 effective tax rate by 2.4 points. Our 2004 effective tax rate was positively impacted by refunds received for prior year state income tax credits, as well as an increase in our estimate of 2004 state income tax credits.

Income from Continuing Operations

(in thousands)		2005		2004		2003	Percent change 2005 vs. 2004	 2004 vs. 2003
Income from continuing operations	$	157,963	$	198,648	$	192,472	(20.5%)	3.2%

The decrease in income from continuing operations in 2005, as compared to 2004, was primarily due to lower volume resulting from the continuing decline in check usage, mid-2005 client losses due to financial institution consolidations, lower direct mail response rates and customer retention for our Direct Checks segment, and the loss of a large financial institution client in late 2004. Additionally, our results were negatively impacted by continued pricing pressure within our Financial Services segment, higher interest expense due to higher interest rates and the full year impact of financing the NEBS acquisition, as well as the full year impact of amortization resulting from the NEBS acquisition. These decreases were partially offset by the full-year contribution of the NEBS business and the resulting cost synergies, lower performance-based employee compensation, increased sales of premium-priced licensed and specialty check designs and cost reductions in response to lower revenue, as well as manufacturing productivity improvements.

The increase in income from continuing operations in 2004, as compared to 2003, was due to the acquisition of NEBS, manufacturing productivity improvements, other cost management efforts and higher net restructuring charges in 2003. Further information regarding our restructuring charges can be found in the section entitled *Restructuring Accruals*. These increases were partially offset by higher interest expense in 2004 due to financing the NEBS acquisition, the positive impact in 2003 from the reversal of income tax reserves and higher stock-based compensation expense in 2004 due to the adoption of the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*.

On January 1, 2004, we adopted the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation.* We reported this change in accounting principle using the modified prospective method of adoption described in SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*. During 2003, we accounted for our employee stock-based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. Accordingly, our 2003 results of operations do not include compensation expense for stock options or for our employee stock purchase plan. Had this expense been included in our results, diluted earnings per share would have been $0.07 lower for 2003. This pro forma impact of stock-based compensation was calculated utilizing the method disclosed under the caption “Note 1:

Significant accounting policies” of the Notes to Consolidated Financial Statements appearing in Item 8 of this report. Total stock-based compensation expense recognized in our consolidated statements of income was $7.0 million in 2005, $12.2 million in 2004 and $1.0 million in 2003. The decrease in 2005, as compared to 2004, was due to a lower number of stock options granted and lower restricted stock unit awards earned in 2005, as our operating performance did not meet planned results.

Net Loss from Discontinued Operations

(in thousands)		2005		2004		2003	Percent change 2005 vs. 2004	 2004 vs. 2003
Net loss from discontinued operations	$	442	$	657	$	—	(32.7%)	—

Discontinued operations in 2005 include the results of the apparel business acquired from NEBS. This business was sold in the third quarter of 2005, resulting in a pre-tax gain of $0.8 million. In addition to the apparel business, discontinued operations in 2004 also include the European operations of NEBS, which were sold on December 31, 2004. No gain or loss was recognized on this disposition as the assets and liabilities were recorded at fair value on the acquisition date. We continue to hold one building associated with the European operations and intend to complete the sale of this facility in the first half of 2006.

Diluted Earnings per Share

(shares in thousands)	2005	2004	2003	Percent change 2005 vs. 2004	Percent change 2004 vs. 2003
Diluted earnings per share	$ 3.09	$ 3.92	$ 3.49	(21.2%)	12.3%
Diluted weighted-average shares outstanding (includes potential common shares)	50,936	50,549	55,228	0.8%	(8.5%)

In addition to the decrease in income from continuing operations in 2005, as compared to 2004, diluted earnings per share decreased in 2005 due to the increase in average shares outstanding resulting from shares issued under employee stock purchase and stock incentive plans. The change in shares outstanding resulted in a $0.03 decrease in earnings per share for 2005 as compared to 2004.

In addition to the increase in income from continuing operations in 2004, as compared to 2003, diluted earnings per share increased in 2004 due to the decrease in average shares outstanding resulting from our share repurchase programs. During 2003, we purchased 12.2 million shares and during 2004, we purchased 0.6 million shares. The change in average shares outstanding resulting from share repurchases, partially offset by the impact of shares issued under employee stock purchase and stock incentive plans, resulted in a $0.34 increase in earnings per share for 2004 as compared to 2003.

Earnings before Interest, Taxes, Depreciation and Amortization of Intangibles (EBITDA)

(in thousands)	2005	2004	2003	Percent change 2005 vs. 2004	Percent change 2004 vs. 2003
EBITDA	$ 414,391	$ 442,210	$ 378,334	(6.3%)	16.9%
Depreciation	(28,993)	(27,330)	(22,773)	(6.1%)	(20.0%)
Amortization of intangibles	(79,355)	(66,526)	(37,309)	(19.3%)	(78.3%)
Earnings before interest and taxes (EBIT)	306,043	348,354	318,252	(12.1%)	9.5%
Interest expense, net	(55,309)	(31,481)	(18,872)	(75.7%)	(66.8%)
Provision for income taxes	(92,771)	(118,225)	(106,908)	21.5%	(10.6%)
Net loss from discontinued operations	(442)	(657)	—	32.7%	—
Net income	$ 157,521	$ 197,991	$ 192,472	(20.4%)	2.9%

EBIT and EBITDA are not measures of financial performance under Generally Accepted Accounting Principles (GAAP) in the United States of America. We disclose these measures because they can be used to analyze profitability between companies and industries by eliminating the effects of financing (i.e., interest) and capital investments (i.e., depreciation and amortization). We believe these measures can indicate whether a company's earnings are adequate to pay its debts without regard to financing, capital structure or income taxes. We also believe that increases in these measures depict increased ability to attract financing and increase the valuation of our business. We do not consider these measures to be substitutes for performance measures calculated in accordance with GAAP. Instead, we believe that they are useful performance measures which should be considered in addition to those measures reported in accordance with GAAP.

RESTRUCTURING ACCRUALS

During 2004, we recorded restructuring charges of $5.7 million for employee severance primarily related to the closing of our Financial Services check printing facility located in Dallas, Texas and our Direct Checks check printing facility located in Anniston, Alabama, as well as reductions in various functional areas primarily within our Direct Checks and Financial Services segments. The closure of the Dallas facility was primarily due to the loss of a major financial institution client whose contract expired at the end of 2004. The other reductions were a result of the continuing decline in check usage, as well as increased productivity. Both the Dallas and Anniston facilities were closed during the fourth quarter of 2004. The other employee reductions were completed during 2005. In total, 450 employees received a total of $5.3 million in severance payments, which were funded by cash from operations. These restructuring charges are reflected as cost of goods sold of $2.4 million and SG&A expense of $3.3 million in our 2004 consolidated statement of income.

During 2003, we recorded restructuring charges of $11.8 million for employee severance primarily related to the closing of three of our Financial Services check printing facilities and other reductions in employees within Financial Services. We were able to close the three check printing facilities because of the expertise we have developed in logistics, productivity and inventory management, as well as the decline in check usage. The other employee reductions were the result of our ongoing cost management efforts. All three check printing facilities were closed during 2004, and the other employee reductions were also substantially completed during 2004. In total, 573 employees received a total of $10.7 million in severance payments, which were funded by cash from operations. These restructuring charges are reflected as cost of goods sold of $5.1 million and SG&A expense of $6.7 million in our 2003 consolidated statement of income.

As a result of the five facility closings and other employee reductions discussed here, we estimate that we realized net cost savings in 2005 of approximately $18 million in cost of goods sold and $7 million in SG&A expense, in comparison to our 2004 results of operations. Reduced costs consisted primarily of labor and facility expenses such as insurance, taxes, depreciation and maintenance. In addition to a total of $16.0 million of severance payments, we also incurred other costs related to the closing of facilities, including equipment moves, training and travel. These costs were expensed as incurred, primarily as cost of goods sold, and totaled $2.1 million. Of this

amount, $1.8 million was expensed in 2004 and $0.3 million was expensed in 2003. We also made improvements to our remaining check printing facilities to allow them to handle increased volume. These improvements, which totaled $5 million, were capitalized and are being depreciated, primarily as cost of goods sold, over their estimated useful lives.

In conjunction with the acquisition of NEBS, we recorded $30.2 million of restructuring accruals in 2004 for NEBS activities which we decided to exit. These accruals primarily included severance benefits, as well as $2.8 million due under noncancelable operating leases on facilities which have been or will be vacated as we consolidate operations. The severance accruals include payments due 700 employees. This includes employees in the Tucker, Georgia printing facility, which was closed during the fourth quarter of 2004, and the Los Angeles, California and Athens, Ohio facilities, which we plan to close by mid-2006. Additionally, the accruals included employees in various functional areas throughout NEBS resulting from our shared services approach to manufacturing and certain SG&A functions. The severance accruals also included amounts due to certain NEBS executives under change of control provisions included in their employment agreements, as we eliminated redundancies between the two companies. Severance payments are expected to be substantially completed by the end of 2006, utilizing cash from operations. As a result of these facility closures and employee reductions, we estimate that we realized cost savings of approximately $1 million in cost of goods sold and $12 million in SG&A expense in 2005, in comparison to NEBS historical results of operations. We estimate that we will realize additional savings of approximately $7 million in cost of goods sold and $2 million in SG&A expense in 2006, in comparison to our 2005 results of operations.

Further information regarding our restructuring accruals can be found under the caption “Note 6: Restructuring accruals” of the Notes to Consolidated Financial Statements appearing in Item 8 of this report.

SEGMENT RESULTS

Additional financial information regarding our business segments appears under the caption “Note 17: Business segment information” of the Notes to Consolidated Financial Statements appearing in Item 8 of this report.

Small Business Services

This segment sells checks, forms and related products to small businesses and home offices through direct response marketing, financial institution referrals and via sales representatives, independent distributors and the internet.

				Percent change	
(in thousands)	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Revenue	$ 932,286	$ 616,345	$ 238,625	51.3%	158.3%
Operating income	105,118	101,910	74,123	3.1%	37.5%
% of revenue	11.3%	16.5%	31.1%	(5.2) pt.	(14.6) pt.

The increase in revenue in 2005, as compared to 2004, was primarily due to the $308.0 million increase contributed by the full year impact of the NEBS business. Additionally, the increase in revenue resulted from increased financial institution referrals and price increases. The Deluxe Business Advantage program discussed earlier under *Executive Overview* is designed to leverage our financial institution relationships into increased sales within Small Business Services. These revenue increases were partially offset by the loss of a large financial institution client in late 2004, as well as mid-2005 client losses due to financial institution consolidations.

The increase in operating income in 2005, as compared to 2004, was due to the full year impact of the NEBS acquisition, price increases and lower delivery and materials costs as we were able to negotiate lower prices subsequent to the NEBS acquisition. Partially offsetting these increases were an $18.0 million increase in acquisition-related amortization expense, an $8.9 million increase in integration costs and increased call center and marketing costs related to the implementation of our growth strategy. Additionally, the allocation of corporate costs to the NEBS portion of Small Business Services resulted in a decrease of $12.0 million in Small Business Services operating income in 2005. As discussed under the caption “Note 17: Business segment information” of the Notes to

Consolidated Financial Statements appearing in Item 8 of this report, we began allocating corporate costs to the NEBS portion of Small Business Services on April 1, 2005 when NEBS implemented certain of our corporate information systems and began utilizing corporate shared services functions. As such, Small Business Services now bears a larger portion of corporate costs. The decrease in operating margin in 2005, as compared to 2004, was due to the full year impact of NEBS lower margin business, as well as the higher acquisition-related amortization expense and integration costs. NEBS historically has had lower operating margins than our other businesses because of its non-check product mix and its greater reliance on direct mail and a direct sales force to acquire and retain customers.

The increase in revenue in 2004, as compared to 2003, was primarily due to the $363.2 million contributed by the NEBS acquisition. Additionally, the growth in revenue resulted from higher volume and price increases. Financial institution referrals increased due to the timing of client gains and losses and due to our focus on expanding the utilization of this referral program with our financial institution clients. Partially offsetting these improvements was the overall decline in the number of checks being written due to the increasing use of alternative payment methods.

The increase in operating income in 2004, as compared to 2003, was due to the acquisition of NEBS, revenue growth and lower discretionary spending, partially offset by increased customer care costs in support of the higher revenue level. The decrease in operating margin in 2004, as compared to 2003, was due to NEBS historically lower margin business.

Financial Services

Financial Services sells personal and business checks, related products and check merchandising services to financial institutions. Additionally, we offer enhanced services to our financial institution clients, such as customized reporting, file management, expedited account conversion support, fraud prevention and customer retention programs.

				Percent change	
(in thousands)	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Revenue	$ 537,525	$ 665,373	$ 699,250	(19.2%)	(4.8%)
Operating income	119,677	159,986	146,711	(25.2%)	9.0%
% of revenue	22.3%	24.0%	21.0%	(1.7) pt.	3.0 pt.

The decrease in revenue in 2005, as compared to 2004, was due to a decline in volume resulting from the loss of a large financial institution client in late 2004, the continuing decline in check usage and mid-2005 client losses due to financial institution consolidations. Pricing pressure also continued to have a negative impact. Contract termination payments did not have a significant impact on 2005 revenue, as compared to 2004, as the amount of these payments was comparable each year.

The decrease in operating income in 2005, as compared to 2004, was the result of the revenue decline, partially offset by cost management efforts, including the closing of four printing facilities in 2004, lower performance-based employee compensation, productivity improvements and cost synergies resulting from the NEBS acquisition. Additionally, as discussed earlier, we began allocating corporate costs to the NEBS portion of Small Business Services on April 1, 2005. This change benefited Financial Services, as NEBS now bears a portion of corporate costs. This change resulted in an $8.3 million benefit to Financial Services in 2005.

The decrease in revenue in 2004, as compared to 2003, was due to the continuing decline in check usage, as well as increased competitive pricing pressure. These revenue decreases were partially offset by increased sales of premium-priced licensed and specialty check designs, as well as a $7.7 million contract termination payment recorded in the third quarter of 2004.

The increase in operating income in 2004, as compared to 2003, was the result of cost management efforts, including savings realized from employee reductions, productivity improvements, lower discretionary spending and asset impairment losses in 2003, partially offset by the revenue decline.

Direct Checks

Direct Checks sells checks and related products directly to consumers through direct mail and the internet. We use a variety of direct marketing techniques to acquire new customers in the direct-to-consumer channel, including newspaper inserts, in-package advertising, statement stuffers and co-op advertising. We also use e-commerce strategies to direct traffic to our websites. Direct Checks sells under the Checks Unlimited and Designer Checks brand names.

				Percent change	
(in thousands)	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Revenue	$ 246,483	$ 285,297	$ 304,266	(13.6%)	(6.2%)
Operating income	80,044	86,016	98,087	(6.9%)	(12.3%)
% of revenue	32.5%	30.1%	32.2%	2.4 pt.	(2.1) pt.

The decrease in revenue in 2005, as compared to 2004, was due to lower volume resulting from the continuing decline in check usage, lower consumer response rates to direct mail advertisements, lower customer retention and an increase in financial institutions offering free checks to consumers. We believe that the decline in our customer response rates is attributable to the decline in check usage, an increase in financial institutions providing free checks to consumers, a general decline in direct marketing response rates and a lower number of eligible first-time customers. With a large base of lifetime customers, fewer consumers are eligible for the lower introductory prices we offer first-time customers. Partially offsetting the volume decline was an increase in revenue per order resulting from our efforts to shift mail orders to the internet and phone order channels, which typically result in higher revenue per order. Additionally, Direct Checks reorders, which generate higher revenue per order, have become a larger percentage of total orders.

The decrease in operating income in 2005, as compared to 2004, was primarily due to the revenue decline, partially offset by productivity improvements, cost management efforts, including savings realized from employee reductions, and a $6.2 million decrease in advertising costs primarily related to new product initiatives in 2004. Additionally, as discussed earlier, the allocation of corporate costs to the NEBS portion of Small Business Services resulted in a $3.8 million benefit to Direct Checks in 2005. Operating income as a percentage of revenue increased compared to 2004 due to the increase in revenue per order and the cost decreases discussed here.

The decrease in revenue in 2004, as compared to 2003, was due to lower volume resulting from the continuing decline in check usage, lower consumer response rates to direct mail advertisements, longer reorder cycles due to our promotional strategies for multi-box orders and lower customer retention. Partially offsetting the revenue pressures from the volume decline was an increase in revenue per order due to price increases, the improved effectiveness of our selling techniques and continued strength in selling premium-priced licensed and specialty check designs.

The decrease in operating income in 2004, as compared to 2003, was primarily due to the revenue decline and a $4.7 million increase in advertising expense for new product efforts, partially offset by productivity improvements and cost management initiatives, including savings realized from employee reductions.

CASH FLOWS

As of December 31, 2005, we held cash and cash equivalents of $6.9 million. The following table shows our cash flow activity for the last three years and should be read in conjunction with the consolidated statements of cash flows appearing in Item 8 of this report.

(in thousands)	2005	2004	2003	Dollar change 2005 vs. 2004	Dollar change 2004 vs. 2003
Continuing operations:					
Net cash provided by operating activities	$ 178,279	$ 307,591	$ 181,467	$ (129,312)	$ 126,124
Net cash used by investing activities	(55,917)	(670,837)	(24,883)	614,920	(645,954)
Net cash (used) provided by financing activities	(142,816)	369,963	(278,471)	(512,779)	648,434
Effect of exchange rate change on cash	202	1,155	—	(953)	1,155
Net cash (used) provided by continuing operations	(20,252)	7,872	(121,887)	(28,124)	129,759
Net cash (used) provided by operating activities of discontinued operations	(4,152)	3,844	—	(7,996)	3,844
Net cash provided by investing activities of discontinued operations	15,779	808	—	14,971	808
Net change in cash and cash equivalents	$ (8,625)	$ 12,524	$ (121,887)	$ (21,149)	$ 134,411

The $129.3 million decrease in cash provided by operating activities in 2005, as compared to 2004, was due to a $54.4 million increase in contract acquisition payments related to new financial institution contracts, higher interest payments due to higher interest rates and our higher debt level, the lower earnings discussed earlier under *Consolidated Results of Operations*, as well as higher employee profit sharing and pension payments related to our 2004 operating results. These decreases in cash provided by operating activities were partially offset by higher NEBS operating cash flows and lower severance payments.

The $126.1 million increase in cash provided by operating activities in 2004, as compared to 2003, was due primarily to our cost management initiatives and productivity improvements, lower contract acquisition payments to financial institution clients, lower Direct Checks advertising spend in 2004 and a decrease in employee profit sharing and pension payments. Net cash provided by operating activities in 2004 was negatively impacted by NEBS severance payments, payments due to executive officers under change of control agreements and profit sharing and pension payments related to NEBS pre-acquisition results of operations.

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

(in thousands)	2005	2004	2003	Dollar change 2005 vs. 2004	Dollar change 2004 vs. 2003
Income tax payments	$ 105,546	$ 108,435	$ 110,508	$ (2,889)	$ (2,073)
Contract acquisition payments	70,169	15,778	47,728	54,391	(31,950)
Interest payments	57,393	28,843	19,180	28,550	9,663
Voluntary employee beneficiary trust contributions	42,000	40,541	32,000	1,459	8,541
Employee profit sharing and pension contributions	40,033	26,668	39,636	13,365	(12,968)
Severance payments	9,709	29,843	1,760	(20,134)	28,083

Primarily because of the NEBS acquisition in 2004, cash used by investing activities in 2005 was $614.9 million lower than 2004. Purchases of capital assets were $11.8 million higher in 2005, as compared to 2004, due to costs incurred in conjunction with the order capture system we intend to implement in 2006. Cash used by financing activities in 2005 was higher than 2004 due to borrowings in 2004 related to financing the acquisition of NEBS, partially offset by the payment of NEBS long-term debt in 2004 and share repurchases in 2004. Net cash provided by discontinued operations in 2005 was $7.0 million higher than 2004 due primarily to the sale of our apparel business which generated net cash proceeds of $15.8 million, partially offset by changes in working capital. The sale of our apparel business will not have a material effect on our cash flows or capital resources.

Cash used by investing activities in 2004 included payments of $624.9 million for the acquisition of NEBS. Cash provided by financing activities in 2004 was higher than 2003 due to borrowings to finance the acquisition of NEBS. The purchase price for NEBS, net of cash acquired, was $625.8 million. We utilized a bridge financing agreement and commercial paper to finance this purchase. A portion of this debt was refinanced with long-term debt in the fourth quarter of 2004. See *Capital Resources* for further information regarding our debt.

Significant cash inflows, excluding those related to operating activities, for each year were as follows:

(in thousands)	2005	2004	2003	Dollar change 2005 vs. 2004	Dollar change 2004 vs. 2003
Proceeds from shares issued under employee plans	$ 11,247	$ 18,923	$ 23,869	$ (7,676)	$ (4,946)

Net proceeds from debt	—	646,286	288,050	(646,286)	358,236
Net proceeds from sale of discontinued operations	15,779	808	—	14,971	808

Significant cash outflows, excluding those related to operating activities, for each year were as follows:

				Dollar change	
(in thousands)	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Cash dividends paid to shareholders	$ 81,271	$ 74,302	$ 80,453	$ 6,969	$ (6,151)
Purchases of capital assets	55,653	43,817	22,034	11,836	21,783
Net payments on short-term debt	51,654	—	—	51,654	—
Payments on long-term debt	26,338	167,050	1,743	(140,712)	165,307
Payments for acquisitions, net of cash acquired	2,888	624,859	—	(621,971)	624,859
Payments for common shares repurchased	—	26,637	507,126	(26,637)	(480,489)
Settlement of interest rate lock agreements	—	23,564	—	(23,564)	23,564

We believe that the following ratios are important measures of our financial strength: total debt to EBITDA[(1)], EBIT[(1)] to interest expense and free cash flow[(2)] to total debt.

Total debt to EBITDA was 2.8 times for 2005 and 2004 and 1.6 times for 2003. The 2005 ratio was unchanged from 2004 as the decrease in total debt as of December 31, 2005 was offset by the decrease in EBITDA resulting from our lower earnings in 2005. The increase in 2004, as compared to 2003, was due to the higher total debt level as of December 31, 2004 due to financing of the NEBS acquisition. The comparable ratio of total debt to net income was 7.4 times for 2005, 6.3 times for 2004 and 3.1 times for 2003.

EBIT to interest expense was 5.4 times for 2005, 10.6 times for 2004 and 16.5 times for 2003. Our committed lines of credit contain covenants requiring a minimum EBIT to interest expense ratio of 3.0 times on a four-quarter trailing basis. A decrease in this ratio in 2005, as compared to 2004, was expected. The decrease was due primarily to higher interest expense resulting from higher interest rates, as well as higher debt levels to fund the acquisition of NEBS in June 2004. The decrease in 2004, as compared to 2003, was primarily due to higher interest expense resulting from higher debt levels to fund the acquisition of NEBS and to fund share repurchases earlier in the year. We believe the risk of violating our financial covenants is low as we expect solid profitability and cash flow to continue. The comparable ratio of net income to interest expense was 2.8 times for 2005, 6.0 times for 2004 and 10.0 times for 2003.

Free cash flow to total debt was 3.6% for 2005, 15.2% for 2004 and 13.3% for 2003. We calculate free cash flow as cash provided by operating activities less purchases of capital assets and dividends paid to shareholders. The decrease in 2005, as compared to 2004, was due to the decrease in operating cash flow discussed earlier. The increase in 2004, as compared to 2003, was due to the increase in operating cash flow discussed earlier. This impact was partially offset by our higher debt level as of December 31, 2004, due to financing required for the NEBS acquisition. The comparable ratio of net cash provided by operating activities of continuing operations to total debt was 15.3% for 2005, 24.7% for 2004 and 30.5% for 2003.

(1) Further information regarding our use of EBITDA and EBIT was provided earlier under *Consolidated Results of Operations*.

(2) Free cash flow is not a measure of financial performance under GAAP in the United States of America. We monitor free cash flow on an ongoing basis, as it measures the amount of cash generated from our operating performance after investment initiatives and the payment of dividends. It represents the amount of cash available for the payment of debt and for general corporate purposes and strategic initiatives. We do not consider free cash flow to be a substitute for performance measures calculated in accordance with GAAP. Instead, we believe that free cash flow is a useful liquidity measure which should be considered in addition to those measures reported in accordance with GAAP. The measure of free cash flow to total debt is a liquidity measure which illustrates to what degree our free cash flow covers our existing debt. Free cash flow is derived from net cash provided by operating activities of continuing operations as follows:

(in thousands)	2005	2004	2003
Free cash flow	$ 41,355	$ 189,472	$ 78,980
Purchases of capital assets	55,653	43,817	22,034
Cash dividends paid to shareholders	81,271	74,302	80,453
Net cash provided by operating activities of continuing operations	$ 178,279	$ 307,591	$ 181,467

CAPITAL RESOURCES

Our total debt was $1,166.5 million as of December 31, 2005, a decrease of $77.7 million from December 31, 2004. Our equity market capitalization was $1.5 billion as of December 31, 2005, based on the closing stock price of $30.14 and 50.7 million basic shares outstanding, down from $1.9 billion as of December 31, 2004.

Capital Structure

	December 31,		
(in thousands)	2005	2004	Change

Commercial paper	$ 212,346	$ 264,000	$ (51,654)
Current portion of long-term debt	51,359	26,359	25,000
Long-term debt	902,805	953,848	(51,043)
Total debt	1,166,510	1,244,207	(77,697)
Shareholders' deficit	(82,026)	(178,491)	96,465
Total capital	$ 1,084,484	$ 1,065,716	$ 18,768

We are in a shareholders' deficit position due to the required accounting treatment for share repurchases. We have not repurchased any shares since the second quarter of 2004, and we expect our shareholders' deficit to continue to decrease in future periods, absent additional share repurchase activity. Share repurchases during the past three years were as follows:

(in thousands)	2005	2004	2003
Dollar amount	$ —	$ 25,520	$ 508,243
Number of shares	—	634	12,239

Debt Structure

	December 31,				
	2005		2004		
(in thousands)	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate	Change
Fixed interest rate	$ 948,026	4.4%	$ 947,708	4.4%	$ 318
Floating interest rate	212,346	4.4%	289,000	2.4%	(76,654)
Capital leases	6,138	10.4%	7,499	10.3%	(1,361)
Total debt	$ 1,166,510	4.4%	$ 1,244,207	4.0%	$ (77,697)

Further information concerning our outstanding debt can be found under the caption "Note 13: Debt" of the Notes to Consolidated Financial Statements appearing in Item 8 of this report. We may, from time to time, consider retiring our outstanding debt through cash purchases, privately negotiated transactions or otherwise. Any such repurchases or exchanges, if any, would depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

During 2004, we entered into $450.0 million of forward starting interest rate swaps to hedge, or lock-in, the interest rate on a portion of the debt we issued in 2004. The termination of the lock agreements in September 2004 yielded a deferred pre-tax loss of $23.6 million. During 2002, we entered into two forward rate lock agreements to effectively hedge, or lock-in, the annual interest rate on a portion of the debt we issued in 2002. The termination of the lock agreements in December 2002 yielded a deferred pre-tax loss of $4.0 million. These losses are reflected, net of tax, in accumulated other comprehensive loss in our consolidated balance sheets and are being reclassified ratably to our statements of income as increases to interest expense over the terms of the related debt.

We currently have a $500.0 million commercial paper program in place which is supported by two committed lines of credit. The credit agreements governing the lines of credit contain customary covenants regarding the ratio of EBIT to interest expense and levels of subsidiary indebtedness. No amounts were drawn on these lines of credit during 2005 or during 2004.

As of December 31, 2005, $287.7 million was available under our committed lines of credit for borrowing or for support of additional commercial paper, as follows:

(in thousands)	Total available	Expiration date	Commitment fee
Five year line of credit	$ 275,000	July 2010	.090%
Five year line of credit	225,000	July 2009	.125%
Total committed lines of credit	500,000		
Commercial paper outstanding	(212,346)		
Net available for borrowing as of December 31, 2005	$ 287,654		

Our Canadian subsidiary also has a $5.0 million (Canadian dollars) committed line of credit available for borrowing. No amounts were drawn on this line of credit during 2005, and no amounts were outstanding under this line as of December 31, 2005.

In January 2006, Moody's Investors Service downgraded our long-term debt rating to Baa3 from Baa1 and downgraded our short-term debt rating to Prime-3 from Prime-2. Additionally, they have placed a negative outlook on our debt. Moody's indicated that the downgrades resulted from increased business risk and deterioration in our revenue base due to volume declines and intensifying pricing pressure. Moody's also indicated that they recognize our plans to offset these pressures by growing our Small Business Services segment, but they perceive execution risk in an unproven business model.

Also in January 2006, Standard and Poor's credit rating agency (S&P) lowered our long-term debt rating to BBB- from BBB+ and our short-term debt rating to A-3 from A-2. They also placed a negative outlook on our debt. S&P indicated that the downgrades reflect greater than expected declines in check pricing and volumes due to heightened competitive pressures. S&P also indicated that the ratings reflect our leading market position, good margins and adequate cash flow generation.

Despite the downgrades in our credit ratings, we intend to issue commercial paper as long as the market is available to us. To the extent the commercial paper market is not available or is not cost effective, we will utilize our $500.0 million committed lines of credit or issue term debt, depending on which alternative is most economical. Our credit facilities do not have covenants or events of default tied to our credit ratings. As the commitment fees for our lines of credit are tied to our credit ratings, these fees will increase in 2006 to 0.175% for the $275.0 million line and 0.225% for the $225.0 million line.

We believe our future operating cash flows and our available credit capacity are sufficient to support our operations, including capital expenditures, required debt service and dividend payments, for the foreseeable future.

OTHER CHANGES IN FINANCIAL CONDITION

Other non-current assets include contract acquisition costs of our Financial Services segment. These costs are recorded as non-current assets upon contract execution and are amortized, generally on the straight-line basis, as reductions of revenue over the related contract term. Changes in contract acquisition costs during 2005 were as follows:

(in thousands)

Balance, December 31, 2004	$ 83,825
Cash payments	70,169
Decrease in contract acquisition obligations	(19,992)
Amortization	(34,731)
Refunds from contract terminations	(5,607)
Balance, December 31, 2005	$ 93,664

The number of checks being written has been in decline since the mid-1990's, which has contributed to increased competitive pressure when attempting to retain or obtain clients. In recent years, both the number of financial institution clients requesting contract acquisition payments and the amount of the payments has increased. Although we anticipate that we will selectively continue to make contract acquisition payments, we cannot quantify future amounts with certainty. The amount paid depends on numerous factors such as the number and timing of contract executions and renewals, competitors' actions, overall product discount levels and the structure of up-front product discount payments versus providing higher discount levels throughout the term of the contract. When the overall discount level provided for in a contract is unchanged, contract acquisition costs do not result in lower net revenue. The impact of these costs is the timing of cash flows. An up-front cash payment is made as opposed to providing higher product discount levels throughout the term of the contract.

Liabilities for contract acquisition payments are recorded upon contract execution. Contract acquisition payments due within the next year are included in accrued liabilities in our consolidated balance sheets. These accruals were $3.9 million as of December 31, 2005 and $11.5 million as of December 31, 2004. Accruals for contract acquisition payments included in other non-current liabilities in our consolidated balance sheets were $6.7 million as of December 31, 2005 and $21.9 million as of December 31, 2004.

Net assets of discontinued operations decreased $19.3 million from December 31, 2004 primarily due to the sale of PremiumWear, the apparel business we had acquired as part of the NEBS acquisition.

OFF-BALANCE SHEET ARRANGEMENTS, GUARANTEES AND CONTRACTUAL OBLIGATIONS

It is not our general business practice to enter into off-balance sheet arrangements nor to guarantee the performance of third parties. In the normal course of business we periodically enter into agreements that incorporate general indemnification language. These indemnifications encompass such items as product or service defects, intellectual property rights, governmental regulations and/or employment-related matters. Performance under these indemnities would generally be triggered by our breach of terms of the contract. In disposing of assets or businesses, we often provide representations, warranties and/or indemnities to cover various risks including, for example, unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not have the ability to estimate the potential liability from such indemnities because they relate to unknown conditions. However, we have no reason to believe that any potential liability under these indemnities would have a material adverse effect on our financial position, annual results of operations or cash flows. We have recorded liabilities for known indemnifications related to environmental matters. Further information can be found under the caption "Note 14: Other commitments and contingencies" of the Notes to Consolidated Financial Statements appearing in Item 8 of this report.

We are not engaged in any transactions, arrangements or other relationships with unconsolidated entities or other third parties that are reasonably likely to have a material effect on our liquidity, or on our access to, or requirements for capital resources. In addition, we have not established any special purpose entities.

As of December 31, 2005, our contractual obligations were as follows:

(in thousands)	Total	2006	2007 - 2008	2009 - 2010	2011 and thereafter
Long-term debt and related interest	$ 1,200,884	$ 91,557	$ 392,699	$ 58,188	$ 658,440
Commercial paper	212,346	212,346	—	—	—
Capital lease obligations and related interest	7,450	1,935	4,012	1,503	—
Operating lease obligations	18,654	8,471	7,442	2,672	69
Purchase obligations	290,641	74,534	91,218	74,308	50,581
Other long-term liabilities	49,990	16,151	17,826	9,540	6,473
Total	$ 1,779,965	$ 404,994	$ 513,197	$ 146,211	$ 715,563

Purchase obligations include amounts due under contracts with third party service providers. These contracts are primarily for information technology services related to network servers, personal computers, telecommunications, software development and support and help desk services. Additionally, purchase obligations include amounts due under Direct Checks direct mail advertising and royalty agreements. We routinely issue purchase orders to numerous vendors for the purchase of inventory and other supplies. These purchase orders are not included in the purchase obligations presented here, as our business partners typically allow us to cancel these purchase orders as necessary to accommodate business needs. Certain of the contracts with third party service providers allow for early termination upon the payment of early termination fees. If we were to terminate these agreements, we would incur early termination fees of $64.0 million as of December 31, 2005.

Other long-term liabilities consist primarily of amounts due for contract acquisition costs, workers' compensation and deferred compensation. Of the $45.1 million reported as other long-term liabilities in our consolidated balance sheet as of December 31, 2005, $11.3 million is excluded from the payments shown in the table above. The excluded amounts include the following:

- A portion of the amount due under our deferred compensation plan – Under this plan, employees begin receiving payments upon the termination of employment or disability, and we cannot predict when these events will occur.

- Environmental remediation costs – During 2002, we purchased an environmental insurance policy which covers pre-existing conditions from third-party claims and cost overruns for 30 years at owned, leased and divested sites, as well as any new conditions discovered at currently owned or leased sites for ten years. As a result, we expect to receive reimbursements from the insurance company for environmental remediation costs we incur. The related receivables from the insurance company are reflected in other current assets and other non-current assets in our consolidated balance sheets based on the amounts of our environmental accruals.

- Items which will not be paid in cash, such as a deferred gain resulting from a 1999 sale-leaseback transaction with an unaffiliated third party.

Total contractual obligations do not include the following:

- Payments for our retiree health care plans – Benefits paid under our retiree health care plans are dependent on the level of medical costs incurred by plan participants. Additionally, we have contributed funds to a trust for the purpose of funding our retiree health care plan. Trust assets can be utilized only to pay medical costs of plan participants. Thus, we have the option of paying retiree medical costs from the trust or from the general assets of the company. The unfunded benefit obligation for this plan was $52.6 million as of December 31, 2005.

- Payments to our defined contribution pension and 401(k) plans – The amounts payable under our defined contribution pension and 401(k) plans are dependent on the number of employees providing services throughout the year, their wage rates and in the case of the 401(k) plans, whether employees elect to participate in the plans.

- Profit sharing payments – Amounts payable under our profit sharing plans are dependent on our operating performance.

- Contributions which may be made to the VEBA trust which we use to fund employee and retiree medical and severance payments.

- Payments to our Canadian pension plan – This plan is funded by a trust which we have established for this purpose. Trust assets can only be utilized to fund pension payments and have been invested. If these investments do not perform as expected, we may be required to provide further funding to the trust. However, we cannot predict when, or if, further funding will be required.

- Income tax payments which will be remitted on our earnings.

RELATED PARTY TRANSACTIONS

We have not entered into any related party transactions during the past three years.

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. We review the accounting policies used in reporting our financial results on a regular basis. The preparation of these financial statements requires us to

make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the result of which forms the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Results may differ from these estimates due to actual outcomes being different from those on which we based our assumptions. The estimates and judgments utilized are reviewed by management on an ongoing basis and by the audit committee of our board of directors at the end of each quarter prior to the public release of our financial results. We implemented one significant change to our accounting policies during 2004. On January 1, 2004, we adopted the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation.* This change in accounting principle is discussed in further detail under *Consolidated Results of Operations*.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Goodwill and Indefinite-Lived Trade Names

As of December 31, 2005, we had goodwill of $581.1 million, comprised of $498.0 million from the acquisition of NEBS, $82.2 million related to our Direct Checks segment and $0.9 million related to our acquisition of Dots & Pixels, Inc., a Canadian-based digital printer, in the third quarter of 2005. Goodwill is tested for impairment on at least an annual basis and between annual evaluations if events or circumstances occur which could indicate that goodwill is impaired. As discussed earlier under *Segment Results*, our Direct Checks segment has been impacted by the decline in check usage, lower consumer response rates to direct mail advertisements, lower customer retention and an increase in financial institutions offering free checks to consumers. To date, we have been able to offset to a large degree the impact of the resulting volume decline through improved selling techniques, price increases and cost management efforts.

We also have two indefinite-lived trade names totaling $59.4 million as of December 31, 2005, resulting from the acquisition of NEBS. We continually evaluate the remaining useful lives of these assets to determine whether events and circumstances continue to support an indefinite useful life. If we subsequently determine that one or both of these assets has a finite useful life, we will first test the asset for impairment and then amortize the asset over its estimated remaining useful life. Indefinite-lived trade names are tested for impairment on at least an annual basis and between annual evaluations if events or circumstances occur which could indicate that the asset is impaired. The impairment analysis completed in 2005 found no indication of impairment, although the valuation determined that the fair values of the assets approximated their carrying values. An impairment loss may be required if future valuations do not support the carrying values of these assets.

The evaluation of asset impairment requires us to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed or estimated amounts. If these estimates and assumptions change, we may be required to recognize impairment losses in the future.

Income Taxes

When preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax obligations based on expected income, statutory tax rates and tax planning opportunities in the various jurisdictions in which we operate. In the event there is a significant unusual or one-time item recognized in our results of operations, the tax attributable to that item is separately calculated and recorded in the period the unusual or one-time item occurred.

Tax law requires certain items to be included in our tax return at different times than the items are reflected in our results of operations. As a result, the annual effective tax rate reflected in our results of operations is different than that reported on our tax return (i.e., our cash tax rate). Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some are timing differences that will reverse over time, such as depreciation expense on capital assets. These timing differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax return in future years for which we have already recorded the expense in our statements of income. We must assess the likelihood that our deferred tax assets will be recovered from future taxable income, and to the extent we believe that recovery is not likely, we must establish a valuation allowance against those deferred tax assets. Deferred tax liabilities generally represent items for which we have already taken a deduction in our tax return but we have not yet recognized the items as expense in our results of operations. Significant judgment is required in evaluating our tax positions, and in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets.

We establish reserves when, despite our belief that the tax return positions are fully supportable, certain positions are likely to be challenged and we may ultimately not prevail in defending those positions. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit. Our effective tax rate includes the impact of reserve provisions and changes to reserves, as well as related interest. Our reserves for contingent tax liabilities totaled $15.4 million as of December 31, 2005, and are included in accrued liabilities in our consolidated balance sheet. These reserves relate to various tax years subject to audit by taxing authorities. We believe that our current tax reserves are adequate, and reflect the most probable outcome of known tax contingencies. However, the ultimate outcome may differ from our estimates and assumptions and could impact the provision for income taxes reflected in our consolidated statements of income. Unfavorable settlement of any particular issue would require the use of cash. Favorable resolution could result in reduced income tax expense in our consolidated statements of income in the future.

During 2003, we reversed $7.3 million of previously established income tax reserves. A prior year federal audit period was closed due to the expiration of the statute of limitations, and we reached agreements with two states to favorably settle proposed income tax audit assessments. As a result, the related reserves were no longer required.

Restructuring Accruals

Over the past several years, we have recorded restructuring accruals as a result of facility closings and other cost management efforts. Cost management is one of our strategic objectives and we are continually seeking ways to lower our cost structure. The acquisition of NEBS resulted in even larger restructuring accruals as we combined the two companies and exited certain activities. These accruals primarily consist of employee termination benefits payable under our ongoing severance benefit plan. We record accruals for

employee termination benefits when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. As such, judgment is involved in determining when it is appropriate to record restructuring accruals. Additionally, we are required to make estimates and assumptions in calculating the restructuring accruals, as many times employees choose to voluntarily leave the company prior to their termination date or they secure another position within the company. In these situations, the employees do not receive termination benefits. To the extent our assumptions and estimates differ from actual employee behavior, subsequent adjustments to restructuring accruals have been and will be required.

With regards to our 2003 employee reduction initiatives, we subsequently reversed $1.3 million of the original restructuring accruals as a result of fewer employees receiving severance benefits than originally estimated. No significant adjustments were made to the accruals related to the NEBS acquisition or our 2004 employee reduction initiatives.

Post-Retirement Benefits

Detailed information regarding our post-retirement benefit plans, including a description of the plans, their related future cash flows and plan assets, can be found under the caption: "Note 12: Pension and other post-retirement benefits" of the Notes to Consolidated Financial Statements appearing in Item 8 of this report.

Our net post-retirement benefit expense was $7.8 million in 2005, $5.1 million in 2004 and $6.7 million in 2003. Our business segments record post-retirement benefit expense in cost of goods sold and SG&A expense, based on the composition of their workforces. Our post-retirement benefit expense and liability are calculated utilizing various actuarial assumptions and methodologies. These assumptions include, but are not limited to, the discount rate, the expected long-term rate of return on plan assets, the expected health care cost trend rate and the average remaining life expectancy of plan participants. The discount rate assumption is based on the rates of return on high-quality, fixed-income instruments currently available whose cash flows match the timing and amount of expected benefit payments. In determining the discount rate, we utilize yield curve approaches to discount each cash flow stream at an interest rate specifically applicable to the timing of each respective cash flow. The present value of each cash flow stream is aggregated and used to impute a weighted-average discount rate. Additionally, we consider Moody's high quality corporate bond rates when selecting our discount rate. The expected long-term rate of return on plan assets and the health care cost trend rate are based upon an evaluation of our historical trends and experience, taking into account current and expected market conditions. The long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested or to be invested to provide for expected benefit payments. The health care cost trend rate represents the expected annual rate of change in the cost of health care benefits currently provided due to factors other than changes in the demographics of plan participants. To determine the average remaining life expectancy of plan participants, we use the RP-2000 Combined Healthy Participant Mortality Table. We analyze the assumptions used each year when we complete our actuarial valuation of the plan. If the assumptions utilized in determining our post-retirement benefit expense and liability differ from actual events, our results of operations for future periods could be impacted.

In measuring the accumulated post-retirement benefit obligation as of December 31, 2005, we assumed a discount rate of 5.5%. A 0.25 point change in the discount rate would increase or decrease our annual post-retirement benefit expense by approximately $0.5 million. In measuring the net post-retirement benefit expense for 2005, we assumed an expected long-term rate of return on plan assets of 8.75%. A 0.25 point change in this assumption would increase or decrease our annual post-retirement benefit expense by approximately $0.2 million.

In measuring the accumulated post-retirement benefit obligation as of December 31, 2005, our initial health care inflation rate for 2006 was assumed to be 9.75% and our ultimate health care inflation rate for 2011 and beyond was assumed to be 5.25%. A one percentage point increase in the health care inflation rate for each year would increase the accumulated post-retirement benefit obligation by $18.0 million and the service and interest cost components of our annual post-retirement benefit expense by $1.0 million. A one percentage point decrease in the

health care inflation rate for each year would decrease the accumulated post-retirement benefit obligation by $16.0 million and the service and interest cost components of our annual post-retirement benefit expense by $1.0 million.

When actual events differ from our assumptions or when we change the assumptions used, an unrecognized actuarial gain or loss results. Unrecognized gains and losses are reflected in post-retirement benefit expense over the average remaining service life of employees expected to receive benefits under the plan, which is currently 8.1 years. Because employees hired after December 31, 2001 are not eligible to participate in our retiree health care plan, the average remaining service life of employees expected to receive benefits will continue to decrease. As such, the amortization of our unrecognized actuarial loss will continue to accelerate over the next several years. Amortization of the unrecognized actuarial loss will increase $0.8 million in 2006, as compared to 2005. As of December 31, 2005 and 2004, our unrecognized net actuarial loss was $96.9 million and $92.5 million, respectively, and was comprised of the following:

(in thousands)	2005	2004
Discount rate assumption	$ 33,355	$ 31,482
Health care cost trend	25,682	28,754
Claims experience	15,135	14,252
Return on plan assets	11,528	21,019
Other	11,241	(3,002)
Unrecognized net actuarial loss	$ 96,941	$ 92,505

During the fourth quarter of 2003, we amended our retiree health care plan to limit the number of employees eligible for benefits under the plan. In order to receive the current level of benefits, employees had to reach 20 years of service and 75 points (total of age and years of service) prior to January 1, 2006. Employees reaching 20 years of service and 75 points between January 1, 2006 and December 31, 2008 are eligible for the current level of benefits; however, their premiums will not be reduced once they become eligible for Medicare as is currently the case. Employees reaching 20 years of service and 75 points after December 31, 2008 must pay the full cost of coverage if they elect to participate in our health care plan. As a result of this plan change, we recognized a curtailment gain of $4.0 million during the fourth quarter of 2003. This gain is reflected as a reduction of cost of goods sold of $1.4 million and a reduction of SG&A expense of $2.6 million in our 2003 consolidated statement of income. This plan change resulted in a $2.5 million decrease in our 2004 post-retirement benefit expense.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004*. This FSP allowed additional time for companies to determine how the new law affected a company's accounting for deferred tax liabilities on unremitted foreign earnings. The new law provided for a special one-time deduction of 85% of certain foreign earnings that were repatriated and which met certain requirements. During the fourth quarter of 2005, we repatriated $8.1 million dollars from our Canadian operations in accordance with this law. This resulted in tax expense of $0.7 million in the fourth quarter of 2005.

In December 2004, the FASB issued a revision to SFAS No. 123, *Accounting for Stock-Based Compensation*. The new statement is referred to as SFAS No. 123(R) and is entitled *Share-Based Payment*. The new statement requires companies to recognize expense for stock-based compensation in the statement of income and is effective for us on January 1, 2006. We do not expect the provisions of SFAS No. 123(R) to result in a significant change in the compensation expense we currently recognize in our statements of income under SFAS No. 123. Additionally, we expect that the cumulative effect of the accounting change related to the adoption of SFAS No. 123(R) will have an immaterial impact on our 2006 consolidated statement of income.

In conjunction with our adoption of SFAS No. 123(R) in 2006, we will modify our method of recognizing compensation expense for stock option awards granted to individuals achieving "qualified retiree" status prior to completion of the option's normal vesting period. Currently, we recognize expense for such awards over their applicable vesting period, with cost recognition accelerated if and when an employee retires with qualified retiree

status. Upon adoption of SFAS No. 123(R), we will recognize the entire expense for these awards over the period from the date of grant until the date an employee is expected to achieve qualified retiree status under the terms of the applicable option agreement. If we had applied this accounting methodology in previous years, it would have had no impact on diluted earnings per share for 2005. Diluted earnings per share for 2004 would have decreased $0.01, and pro forma diluted earnings per share for 2003 would have increased $0.01.

In November 2005, the FASB issued FSP No. FAS 123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*. This FSP provides an alternative method for calculating the net excess tax benefits available to absorb tax deficiencies as required under SFAS No. 123(R). We are currently evaluating the transition options for accounting for the income tax consequences of share-based payment awards and will determine which methodology we will adopt during 2006. Under the FSP, we have one year after our adoption of SFAS No. 123(R) to make this decision. We expect to have a positive income tax windfall pool upon the adoption of SFAS No. 123(R).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING 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 Annual Report on Form 10-K, in future filings with the Securities and Exchange Commission (SEC), 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. The material uncertainties and other factors known to us are discussed in Item 1A of this report and are incorporated into this Item 7 of the report as if fully stated herein. 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.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to changes in interest rates primarily as a result of the borrowing activities used to support our capital structure, maintain liquidity and fund business operations. We do not enter into financial instruments for speculative or trading purposes. During 2005, we continued to utilize commercial paper to fund working capital requirements. In addition, we have three committed lines of credit available. 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 December 31, 2005, our total debt was comprised of the following:

(in thousands)	Carrying amount	Fair value[1]	Weighted-average interest rate
Long-term notes maturing October 2007	$ 324,882	$ 312,046	3.5%

Long-term notes maturing December 2012	298,683	272,625	5.0%
Long-term notes maturing October 2014	274,461	222,063	5.1%
Commercial paper	212,346	212,346	4.4%
Long-term notes maturing September 2006	50,000	49,210	2.8%
Capital lease obligations maturing through September 2009	6,138	6,138	10.4%
Total debt	$ 1,166,510	$ 1,074,428	4.4%

(1) Based on quoted market rates as of December 30, 2005, except for our capital lease obligations which are shown at carrying value.

Based on the outstanding variable rate debt in our portfolio, a one percentage point increase in interest rates would have resulted in additional interest expense of $2.7 million in 2005, $4.4 million for 2004 and $1.6 million for 2003.

We are exposed to changes in foreign currency exchange rates. Investments in and loans and advances to foreign subsidiaries and branches, as well as the operations of these businesses, are denominated in foreign currencies, primarily the Canadian dollar. The effect of exchange rate changes is expected to have a minimal impact on our results of operations and cash flows, as our foreign operations represent a relatively small portion of our business.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Deluxe Corporation:

We have completed integrated audits of Deluxe Corporation's 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005 and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions on Deluxe Corporation's 2005, 2004 and 2003 consolidated financial statements and on its internal control over financial reporting as of December 31, 2005, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, shareholders' (deficit) equity and cash flows present fairly, in all material respects, the financial position of Deluxe Corporation and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in

conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," as of January 1, 2004.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may

deteriorate.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 14, 2006

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

	December 31, 2005	December 31, 2004
Current Assets:		
Cash and cash equivalents	$ 6,867	$ 15,492
Restricted cash	—	517
Trade accounts receivable-net of allowances for uncollectible accounts	105,238	110,529
Inventories and supplies	41,028	38,890
Deferred income taxes	17,978	13,531
Current assets of discontinued operations	8	22,641
Other current assets	42,819	38,786
Total current assets	213,938	240,386
Long-Term Investments	48,668	47,529
Property, Plant, and Equipment-net of accumulated depreciation	152,968	158,162
Assets Held for Sale	5,665	7,719
Intangibles-net of accumulated amortization	258,004	297,184
Goodwill	581,123	580,740
Non-Current Assets of Discontinued Operations	2,256	6,964
Other Non-Current Assets	163,253	160,395
Total assets	$ 1,425,875	$ 1,499,079
Current Liabilities:		
Accounts payable	$ 88,178	$ 72,984
Accrued liabilities	139,085	202,979
Short-term debt	212,346	264,000
Long-term debt due within one year	51,359	26,359
Current liabilities of discontinued operations	117	4,876
Total current liabilities	491,085	571,198
Long-Term Debt	902,805	953,848
Deferred Income Taxes	68,707	82,489
Non-Current Liabilities of Discontinued Operations	203	3,490
Other Non-Current Liabilities	45,101	66,545
Commitments and Contingencies (Notes 9, 13 and 14)		
Shareholders' Deficit:		
Common shares $1 par value (authorized: 500,000 shares; issued: 2005 – 50,735; 2004 – 50,266)	50,735	50,266
Additional paid-in capital	37,864	20,761
Accumulated deficit	(159,401)	(235,651)
Accumulated other comprehensive loss, net of tax	(11,224)	(13,867)
Total shareholders' deficit	(82,026)	(178,491)
Total liabilities and shareholders' deficit	$ 1,425,875	$ 1,499,079

See Notes to Consolidated Financial Statements

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

	Year Ended December 31, 2005	2004	2003
Revenue	$ 1,716,294	$ 1,567,015	$ 1,242,141
Cost of goods sold	608,361	535,949	425,965
Gross Profit	1,107,933	1,031,066	816,176
Selling, general and administrative expense	803,094	683,154	497,255
Operating Income	304,839	347,912	318,921
Other income (expense)	1,204	442	(669)
Income Before Interest and Taxes	306,043	348,354	318,252
Interest expense	(56,604)	(32,851)	(19,241)
Interest income	1,295	1,370	369
Income Before Income Taxes	250,734	316,873	299,380
Provision for income taxes	92,771	118,225	106,908
Income From Continuing Operations	157,963	198,648	192,472
Discontinued Operations:			
Net loss before income taxes	(268)	(1,098)	—
Income tax (expense) benefit	(174)	441	—
Net Loss From Discontinued Operations	(442)	(657)	—
Net Income	$ 157,521	$ 197,991	$ 192,472
Basic Earnings per Share:			
Income from continuing operations	$ 3.12	$ 3.96	$ 3.53
Net loss from discontinued operations	(0.01)	(0.01)	—
Basic Earnings per Share	$ 3.11	$ 3.95	$ 3.53
Diluted Earnings per Share:			
Income from continuing operations	$ 3.10	$ 3.93	$ 3.49
Net loss from discontinued operations	(0.01)	(0.01)	—
Diluted Earnings per Share	$ 3.09	$ 3.92	$ 3.49
Cash Dividends per Share	$ 1.60	$ 1.48	$ 1.48

See Notes to Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31, 2005	2004	2003
Net Income	$ 157,521	$ 197,991	$ 192,472
Other Comprehensive Income (Loss), Net of Tax:			
Loss on derivative instruments:			
Loss on derivative instruments arising during the year	—	(14,803)	—

Less reclassification of loss on derivative instruments from other comprehensive income to net income	2,576	771	221
Unrealized gains on securities:			
Unrealized holding gains arising during the year	99	161	—
Less reclassification adjustments for gains included in net income	(146)	(51)	—
Unrealized foreign currency translation adjustment	114	2,320	—
Other Comprehensive Income (Loss)	2,643	(11,602)	221
Comprehensive Income	$ 160,164	$ 186,389	$ 192,693
Related Tax (Expense) Benefit of Other Comprehensive Income (Loss) Included in Above Amounts:			
Loss on derivative instruments:			
Loss on derivative instruments arising during the year	$ —	$ 8,761	$ —
Less reclassification of loss on derivative instruments from other comprehensive income to net income	(1,500)	(456)	(123)
Unrealized gains on securities:			
Unrealized holding gains arising during the year	(67)	(108)	—
Less reclassification adjustments for gains included in net income	99	34	—

See Notes to Consolidated Financial Statements

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

	Common shares						
	Number of shares	Par value	Additional paid-in capital	Retained earnings (accumulated deficit)	Unearned compensation	Accumulated other comprehensive loss	Total shareholders' (deficit) equity
Balance, December 31, 2002	61,446	$ 61,446	$ —	$ 5,380	$ (24)	$ (2,486)	$ 64,316
Net income	—	—	—	192,472	—	—	192,472
Cash dividends	—	—	—	(80,453)	—	—	(80,453)
Common shares issued	1,041	1,041	22,869	—	—	—	23,910
Tax benefit of stock options	—	—	6,139	—	—	—	6,139
Common shares repurchased	(12,239)	(12,239)	(32,655)	(463,349)	—	—	(508,243)
Other common shares retired	(75)	(75)	(3,006)	—	—	—	(3,081)
Stock-based compensation and related amortization	—	—	6,653	—	(17)	—	6,636
Loss on derivatives, net of tax	—	—	—	—	—	221	221
Balance, December 31, 2003	50,173	50,173	—	(345,950)	(41)	(2,265)	(298,083)
Net income	—	—	—	197,991	—	—	197,991
Cash dividends	—	—	—	(74,302)	—	—	(74,302)
Common shares issued	760	760	18,163	—	—	—	18,923
Tax benefit of stock options	—	—	3,398	—	—	—	3,398
Common shares repurchased	(634)	(634)	(11,496)	(13,390)	—	—	(25,520)
Other common shares retired	(36)	(36)	(1,508)	—	—	—	(1,544)
Fair value of employee stock-based compensation	3	3	12,204	—	41	—	12,248
Loss on derivatives, net of tax	—	—	—	—	—	(14,032)	(14,032)
Translation adjustment	—	—	—	—	—	2,320	2,320
Unrealized gain on securities, net of tax	—	—	—	—	—	110	110
Balance, December 31, 2004	50,266	50,266	20,761	(235,651)	—	(13,867)	(178,491)
Net income	—	—	—	157,521	—	—	157,521
Cash dividends	—	—	—	(81,271)	—	—	(81,271)

Common shares issued	529	529	10,718	—	—	—	11,247
Tax benefit of stock options	—	—	1,593	—	—	—	1,593
Common shares retired	(62)	(62)	(2,209)	—	—	—	(2,271)
Fair value of employee stock-based compensation	2	2	7,001	—	—	—	7,003
Loss on derivatives, net of tax	—	—	—	—	—	2,576	2,576
Translation adjustment	—	—	—	—	—	114	114
Unrealized loss on securities, net of tax	—	—	—	—	—	(47)	(47)
Balance, December 31, 2005	50,735	$ 50,735	$ 37,864	$ (159,401)	$ —	$ (11,224)	$ (82,026)

See Notes to Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2005	2004	2003
Cash Flows from Operating Activities:			
Net income	$ 157,521	$ 197,991	$ 192,472
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Loss from discontinued operations	442	657	—
Depreciation	28,993	27,330	22,773
Amortization of intangibles	79,355	66,526	37,309
Amortization of contract acquisition costs	34,731	34,528	25,586
Employee stock-based compensation expense	7,003	12,248	954
Deferred income taxes	(11,923)	(2,654)	(7,494)
Other non-cash items, net	12,671	12,719	15,214
Changes in assets and liabilities, net of effects of acquisitions and discontinued operations:			
Trade accounts receivable	(2,594)	(15,295)	(2,883)
Inventories and supplies	(2,030)	3,980	1,482
Other current assets	(5,716)	(61)	1,487
Contract acquisition payments	(70,169)	(15,778)	(47,728)
Other non-current assets	8,325	(1,947)	(22,132)
Accounts payable	(5,035)	1,338	(10,095)
Accrued and other non-current liabilities	(53,295)	(13,991)	(25,478)
Net cash provided by operating activities of continuing operations	178,279	307,591	181,467
Cash Flows from Investing Activities:			
Payments for acquisitions, net of cash acquired	(2,888)	(624,859)	—
Change in restricted cash	517	(517)	—
Purchases of capital assets	(55,653)	(43,817)	(22,034)
Other	2,107	(1,644)	(2,849)
Net cash used by investing activities of continuing operations	(55,917)	(670,837)	(24,883)
Cash Flows from Financing Activities:			
Net (payments) borrowings on short-term debt	(51,654)	50,750	213,250
Proceeds from long-term debt, net of debt issuance costs	—	595,536	74,800
Payments on long-term debt	(26,338)	(167,050)	(1,743)
Settlement of interest rate lock agreements	—	(23,564)	—
Change in book overdrafts	5,200	(3,693)	(1,068)
Payments for common shares repurchased	—	(26,637)	(507,126)
Proceeds from issuing shares under employee plans	11,247	18,923	23,869
Cash dividends paid to shareholders	(81,271)	(74,302)	(80,453)
Net cash (used) provided by financing activities of continuing operations	(142,816)	369,963	(278,471)
Effect of Exchange Rate Change on Cash	202	1,155	—
Cash (Used) Provided by Operating Activities of Discontinued Operations	(4,152)	3,844	—
Cash Provided by Investing Activities – Net Proceeds from Sale of Discontinued Operations	15,779	808	—

Net Change in Cash and Cash Equivalents	(8,625)	12,524	(121,887)
Cash and Cash Equivalents: Beginning of Year	15,492	2,968	124,855
End of Year	$ 6,867	$ 15,492	$ 2,968

See Notes to Consolidated Financial Statements

DELUXE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant accounting policies

Consolidation – The consolidated financial statements include the accounts of Deluxe Corporation and all majority owned subsidiaries. All intercompany accounts, transactions and profits have been eliminated.

Use of estimates – We have prepared the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. In this process, it is necessary for us to make certain assumptions and related estimates affecting the amounts reported in the consolidated financial statements and related notes. These estimates and assumptions are developed based upon all information available using our best efforts. However, actual results can differ from assumed and estimated amounts.

Foreign currency translation – The financial statements of our foreign subsidiaries are measured in the respective subsidiaries' functional currencies, primarily Canadian dollars, and are translated into U.S. dollars. Assets and liabilities are translated using the exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the average exchange rates during the year. The resulting translation gains and losses are reflected in accumulated other comprehensive loss in the shareholders' deficit section of our consolidated balance sheets. Foreign currency transaction gains and losses are recorded in other income and expense in our consolidated statements of income.

Cash and cash equivalents – We consider all cash on hand, money market funds and other highly liquid investments with original maturities of three months or less to be cash and cash equivalents. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate fair value. As a result of our cash management system, checks issued by us but not presented to the banks for payment may create negative book cash balances. Such negative balances are included in accounts payable and totaled $13.2 million as of December 31, 2005 and $8.0 million as of December 31, 2004.

Restricted cash – Restricted cash related to the acquisition of New England Business Service, Inc. (NEBS) in June 2004 (see Note 4). Upon acquisition, we were required to place on deposit the funds required to pay shareholders who did not tender their shares of NEBS common stock under our tender offer. These shareholders had to present their stock certificates in order to receive their portion of the funds. The funds remained on deposit for nine months, at which time the remaining unclaimed funds were subjected to the escheat process required by applicable governmental authorities.

Trade accounts receivable – Trade accounts receivable are initially recorded at fair value upon the sale of goods or services to customers. They are stated net of allowances for uncollectible accounts which represent estimated losses resulting from the inability of customers to make the required payments. When determining the allowances for uncollectible accounts, we take several factors into consideration including the overall composition of accounts receivable aging, our prior history of accounts receivable write-offs, the type of customer and our day-to-day knowledge of specific customers. Changes in the allowances for uncollectible accounts are recorded as bad debt expense and are included in selling, general and administrative (SG&A) expense in our consolidated statements of income.

Inventories– Inventories are stated at the lower of cost or market. Approximate cost is determined using the first-in, first-out (FIFO) method. Prior to July 1, 2004, we accounted for a portion of our inventories using the last-in, first-out (LIFO) method. The change to the FIFO method resulted in a decrease in cost of goods sold of $2.2 million in 2004, primarily in our Financial Services segment. This equates to an increase in net income of $1.4 million, or $0.03 per diluted share in 2004. The effect of this accounting change on prior periods was immaterial, as was the effect on 2004. As such, we did not restate prior period financial statements to reflect this change. We consider the FIFO method to be preferable. The NEBS business (see Note 4) also utilized the FIFO method, and we now have a consistent accounting methodology across the company. Additionally, the effect on net income of utilizing the FIFO method is not significantly different than the results that would be obtained using the LIFO method.

Supplies– Supplies are stated at the lower of cost or market and consist of items not used directly in the production of goods, such as maintenance and janitorial supplies utilized in the production area. Cost is determined using the FIFO method.

Cash held for customers – As part of our Canadian payroll services business, we collect funds from clients to pay their payroll and related taxes. We hold these funds temporarily until payments are remitted to the clients' employees and the appropriate taxing authorities. These funds are reported as cash held for customers and are included in other current assets in our consolidated balance sheets. These amounts totaled $12.7 million as of December 31, 2005 and $9.8 million as of December 31, 2004. The corresponding liability for these obligations is included in accrued liabilities in our consolidated balance sheets.

Long-term investments – Long-term investments consist primarily of cash surrender values of life insurance contracts. The carrying amounts reported in the consolidated balance sheets for these investments approximate fair value. Additionally, long-term investments include investments in domestic mutual funds totaling $3.2 million as of December 31, 2005 and $3.4 million as of December 31, 2004. These investments are classified as available for sale and are carried at fair value, based on quoted market prices. Unrealized gains and losses, net of tax, are reported in accumulated other comprehensive loss in the shareholders' deficit section of our consolidated balance sheets. Realized gains and losses

and permanent declines in value are included in other income and expense in our consolidated statements of income. The cost of securities sold is determined using the average cost method.

Property, plant and equipment – Property, plant and equipment, including leasehold and other improvements that extend an asset's useful life or productive capabilities, are stated at historical cost. Buildings are assigned 40-year lives and machinery and equipment are generally assigned lives ranging from one to 11 years, with a weighted-average life of 8.5 years as of December 31, 2005. Buildings, machinery and equipment are generally depreciated using accelerated methods. Leasehold and building improvements are depreciated on the straight-line basis over the estimated useful life of the property or the life of the lease, whichever is shorter. Maintenance and repairs are expensed as incurred. Gains or losses resulting from the disposition of property, plant and equipment are included in SG&A expense in the consolidated statements of income.

Intangibles– Intangible assets are stated at historical cost. Amortization expense is generally determined on the straight-line basis over periods ranging from one to 14 years, with a weighted-average life of 5.8 years as of December 31, 2005. Amortizable trade name assets are amortized using accelerated methods. Additionally, certain trade name assets acquired as part of the NEBS acquisition (see Note 4) have been assigned indefinite lives. As such, these assets are not amortized, but are subject to impairment testing on at least an annual basis. Gains or losses resulting from the disposition of intangibles are included in SG&A expense in the consolidated statements of income.

We capitalize costs of software developed or obtained for internal use, including website development costs, once the preliminary project stage has been completed, management commits to funding the project and it is probable that the project will be completed and the software will be used to perform the function intended. Capitalized costs include only (1) external direct costs of materials and services consumed in developing or obtaining internal-use software, (2) payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use software project, and (3) interest costs incurred, when material, while developing internal-use software. Costs incurred in populating websites with information about the company or products are expensed as incurred. Capitalization of costs ceases when the project is substantially complete and ready for its intended use. The carrying value of internal-use software is reviewed in accordance with our policy on impairment of long-lived assets and amortizable intangibles.

During the first quarter of 2004, we revised the estimated useful lives for certain of our software and production assets, as we expected that the assets would be replaced or retired sooner than originally anticipated. The weighted-average useful life for these assets was shortened from 8.0 years to 6.8 years. This change in accounting estimate resulted in increased depreciation and amortization expense of $8.4 million in 2004. This equates to a decrease in net income of $5.3 million, or $0.10 per diluted share in 2004. The impact of this change on depreciation and amortization expense for 2005 was not significant.

Impairment of long-lived assets and amortizable intangibles – We evaluate the recoverability of property, plant, equipment and amortizable intangibles not held for sale whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to, (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used or in its physical condition, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset. We measure the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. If the sum of the expected future net cash flows is less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset. The estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows.

We evaluate the recoverability of property, plant, equipment and intangibles held for sale by comparing the asset's carrying amount with its fair value less costs to sell. Should the fair value less costs to sell be less than the carrying value of the long-lived asset, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset less costs to sell.

The evaluation of asset impairment requires us to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts.

Impairment of non-amortizable intangibles and goodwill – In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, we evaluate the carrying value of non-amortizable intangibles and goodwill during the third quarter of each year and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to, (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator.

We measure the carrying amount of non-amortizable intangible assets against their estimated fair values. Should the estimated fair value be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset. The estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows.

When evaluating whether goodwill is impaired, we compare the fair value of the reporting unit to which the goodwill is assigned to its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of the reporting unit goodwill to its carrying amount. In calculating the implied fair value of goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the fair value of a reporting unit over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. The evaluations performed during 2005, 2004 and 2003 resulted in no impairment losses.

Contract acquisition costs – We record contract acquisition costs when we sign or renew certain contracts with our financial institution clients. These costs consist of cash payments or accruals related to amounts owed to financial institution clients by our Financial Services segment. Contract acquisition costs are generally amortized as reductions of revenue on the straight-line basis over the related contract term. Currently, these amounts are being amortized over periods ranging from one to 10 years, with a weighted-average life of 4.3 years as of December 31, 2005. Whenever events or changes occur that impact the related contract, including significant declines in the anticipated profitability, we evaluate the carrying value of the contract acquisition costs to determine if impairment has occurred. Should a financial institution cancel a contract prior to the agreement's termination date, or should the volume of orders realized through a financial institution fall below contractually-specified minimums, we generally

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have a contractual right to a refund of the remaining unamortized contract acquisition costs. These costs are included in other non-current assets in the consolidated balance sheets.

Advertising costs – Deferred advertising costs include materials, printing, labor and postage costs related to direct response advertising programs of our Direct Checks and Small Business Services segments. These costs are amortized as SG&A expense over periods (not exceeding 18 months) that correspond to the estimated revenue streams of the individual advertisements. The actual revenue streams are analyzed at least annually to monitor the propriety of the amortization periods. Judgment is required in estimating the future revenue streams, especially with regard to check re-orders which can span an extended period of time. Significant changes in the actual revenue streams would require the amortization periods to be modified, thus impacting our results of operations during the period in which the change occurred and in subsequent periods. For our Direct Checks segment, approximately 75% of the costs of individual advertisements are expensed within six months of the advertisement. The majority of the deferred advertising costs of our Small Business Services segment are fully amortized within six months of the advertisement. Deferred advertising costs are included in other non-current assets in the consolidated balance sheets, as portions are amortized over periods up to 18 months.

During the first quarter of 2003, we reviewed our various marketing programs and the related revenues generated from these programs. As a result of this review, we modified the estimated revenue streams over which our deferred advertising costs are amortized. We shortened the amortization periods from an average of 18 months to a maximum of 18 months, and we revised our pattern of amortization to reflect the fact that due to the promotional strategies of our Direct Checks segment, a larger proportion of revenues are generated from reorders than from initial orders. Additionally, the decline in check usage and Direct Checks promotional strategies for multi-box orders resulted in a lengthening of the check reorder cycle. The net impact of these changes in accounting estimates resulted in a decrease in SG&A expense of approximately $7 million during 2003. This equates to a $4.5 million increase in net income, or $0.08 per diluted share in 2003. During 2005 and 2004, no material revisions were made to the amortization of deferred advertising costs.

Non-direct response advertising projects are expensed the first time the advertising takes place. Catalogs provided to financial institution clients of the Financial Services segment are accounted for as prepaid assets until they are shipped to financial institutions. The total amount of advertising expense for continuing operations was $135.2 million in 2005, $118.1 million in 2004 and $76.4 million in 2003.

Restructuring accruals – Over the past several years, we have recorded restructuring accruals as a result of facility closings and cost management efforts. The acquisition of NEBS also resulted in restructuring accruals as we combined the two companies and exited certain activities. The primary component of these charges has been employee termination benefits paid under our ongoing severance benefit plan. We record charges for these employee termination benefits when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. As such, judgment is involved in determining when it is appropriate to record restructuring accruals. Additionally, we are required to make estimates and assumptions in calculating the restructuring accruals, as many times employees choose to voluntarily leave the company prior to their termination date or they secure another position within the company. In these situations, the employees do not receive termination benefits. To the extent our assumptions and estimates differ from actual employee behavior, subsequent adjustments to restructuring accruals have been and will be required. Restructuring accruals are included in accrued liabilities and other non-current liabilities in our consolidated balance sheets.

Deferred income taxes – Deferred income taxes result from temporary differences between the financial reporting basis of assets and liabilities and their respective tax reporting bases. Current deferred tax assets and liabilities are netted in the consolidated balance sheets, as are long-term deferred tax assets and liabilities. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not.

Derivative financial instruments – In the past, we have used derivative financial instruments to hedge interest rate exposures related to the issuance of long-term debt (see Note 13). We do not use derivative financial instruments for speculative trading purposes.

We recognize all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are recognized periodically either in income or in shareholders' deficit as a component of accumulated other comprehensive loss, depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or a cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income along with the portion of the change in the fair value of the hedged items that relate to the hedged risk. Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in accumulated other comprehensive loss net of tax. We present amounts used to settle cash flow hedges as financing activities in our consolidated statements of cash flows. Changes in fair values of derivatives not qualifying as hedges are reported in income.

Revenue recognition – Revenue is generally recognized when products are shipped or as services are performed. Revenue includes amounts billed to customers for shipping and handling and pass-through costs, such as marketing materials for which our financial institution clients reimburse us. Costs incurred for shipping and handling and pass-through costs are reflected in cost of goods sold. While we do provide our customers with a right of return, revenue is not deferred. Rather, a reserve for sales returns is recorded in accordance with SFAS No. 48, *Revenue Recognition When Right of Return Exists*, based on significant historical experience. Our level of sales returns has historically not been significant.

At times, a financial institution client may terminate its contract with us prior to the end of the contract term. In many of these cases, the financial institution is contractually required to remit a contract termination payment. Such payments are recorded as revenue when the termination agreement is executed, provided that we have no further service or contractual obligations, and collection of the funds is assured.

Revenue is presented in the consolidated statements of income net of rebates, discounts and amortization of contract acquisition costs. These revenue reductions are discussed in our sales incentives and contract acquisition costs accounting policies. Additionally, reported revenue for our Financial Services segment does not reflect the full retail price paid by end-consumers to their financial institutions. Revenue reflects the amounts paid to us by our financial institution clients.

Sales incentives – We enter into contractual agreements with financial institution clients for rebates on certain products we sell. We record these amounts as reductions of revenue in the consolidated statements of income and as accrued liabilities in the consolidated balance sheets when the related revenue is recorded.

At times we may also sell products at discounted prices or provide free products to customers when they purchase a specified product. Discounts are recorded as reductions of revenue when the related revenue is recorded. The cost of free products is recorded as cost of goods sold when the revenue for the related purchase is recorded.

Employee stock-based compensation – On January 1, 2004, we adopted the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation.* We reported this change in accounting principle using the modified prospective method of adoption described in SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure.* Beginning in 2004, our results of operations reflect compensation expense for all employee stock-based compensation, including the unvested portion of stock options granted prior to 2004. This method results in the same amount of compensation expense which would have been recognized had the fair value recognition provisions of SFAS No. 123 been applied from its original effective date. Prior to 2004, we accounted for our employee stock-based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. Under this method of accounting, no compensation expense was recognized for stock options or for our employee stock purchase plan. In accordance with the modified prospective method of transition, results for prior years were not restated to reflect this change in accounting principle. For 2003, the pro forma net income and earnings per share information presented below was determined as if we had accounted for our employee stock-based compensation under the fair value method of SFAS No. 123.

The fair value of options is estimated at the date of grant using the Black-Scholes option pricing model. The following weighted-average assumptions were used in valuing options issued:

	2005	2004	2003
Risk-free interest rate (%)	3.9	3.6	2.9
Dividend yield (%)	3.9	4.0	4.3
Expected volatility (%)	20.5	22.0	24.4
Weighted-average option life (years)	5.7	5.5	6.0

The weighted-average fair value of options granted was $6.13 per share in 2005, $6.64 per share in 2004 and $6.06 per share in 2003. The estimated fair value of options is recognized as expense on the straight-line basis over the options' vesting periods. Options generally vest one-third each year over three years. The following table illustrates the effect on net income and earnings per share as if the fair value method had been applied to all outstanding and unvested awards in 2003.

	As reported		Pro forma
(in thousands, except per share amounts)	2005[1]	2004[1]	2003
Net income, as reported	$ 157,521	$ 197,991	$ 192,472
Add employee stock-based compensation included in net income, net of tax	4,412	7,679	614
Deduct fair value employee stock-based compensation, net of tax	(4,412)	(7,679)	(5,077)
Pro forma net income	$ 157,521	$ 197,991	$ 188,009
Earnings per share:			
Basic – as reported	$ 3.11	$ 3.95	$ 3.53
pro forma	3.11	3.95	3.45
Diluted – as reported	$ 3.09	$ 3.92	$ 3.49
pro forma	3.09	3.92	3.42

(1) Reported and pro forma amounts for 2005 and 2004 are the same, as we adopted the fair value recognition provisions of SFAS No. 123 on January 1, 2004.

Earnings per share – Basic earnings per share is based on the weighted-average number of common shares outstanding during the year. Diluted earnings per share is based on the weighted-average number of common shares outstanding during the year, adjusted to give effect to potential common shares such as stock options and restricted stock units issued under our stock incentive plan and shares contingently issuable under our performance share and officers' annual incentive compensation programs (see Note 10).

Comprehensive income – Comprehensive income includes charges and credits to shareholders' equity that are not the result of transactions with shareholders. Our total comprehensive income consists of net income, gains and losses on derivative instruments, unrealized gains and losses on securities and foreign currency translation adjustments. The gains and losses on derivative instruments, the unrealized gains and losses on securities and the foreign currency translation adjustments are reflected as accumulated other comprehensive loss in our consolidated balance sheets and statements of shareholders' deficit.

Recently adopted accounting pronouncements – In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004*. This FSP allowed additional time for companies to determine how the new law affected a company's accounting for deferred tax liabilities on unremitted foreign earnings. The new law provided for a special one-time deduction of 85% of certain foreign earnings that were repatriated and which met certain requirements. During the fourth quarter of 2005, we

repatriated $8.1 million dollars from our Canadian operations in accordance with this law. This resulted in tax expense of $0.7 million in the fourth quarter of 2005.

Accounting pronouncements not yet adopted – In December 2004, the FASB issued a revision to SFAS No. 123, *Accounting for Stock-Based Compensation*. The new statement is referred to as SFAS No. 123(R) and is entitled *Share-Based Payment*. The new statement requires companies to recognize expense for stock-based compensation in the statement of income and is effective for us on January 1, 2006. We do not expect the provisions of SFAS No. 123(R) to result in a significant change in the compensation expense we currently recognize in our statements of income under SFAS No. 123. Additionally, we expect that the cumulative effect of the accounting change related to the adoption of SFAS No. 123(R) will have an immaterial impact on our 2006 consolidated statement of income.

In conjunction with our adoption of SFAS No. 123(R) in 2006, we will modify our method of recognizing compensation expense for stock option awards granted to individuals achieving "qualified retiree" status prior to completion of the option's normal vesting period. Currently, we recognize expense for such awards over their applicable vesting period, with cost recognition accelerated if and when an employee retires with qualified retiree status. Upon adoption of SFAS No. 123(R), we will recognize the entire expense for these awards over the period from the date of grant until the date an employee is expected to achieve qualified retiree status under the terms of the applicable option agreement. If we had

applied this accounting methodology in previous years, it would have had no impact on diluted earnings per share for 2005. Diluted earnings per share for 2004 would have decreased $0.01, and the pro forma diluted earnings per share for 2003 previously presented would have increased $0.01.

In November 2005, the FASB issued FSP No. FAS 123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*. This FSP provides an alternative method for calculating the net excess tax benefits available to absorb tax deficiencies as required under SFAS No. 123(R). We are currently evaluating the transition options for accounting for the income tax consequences of share-based payment awards and will determine which methodology we will adopt during 2006. Under the FSP, we have one year after our adoption of SFAS No. 123(R) to make this decision. We expect to have a positive income tax windfall pool upon the adoption of SFAS No. 123(R).

Note 2: Supplementary balance sheet and cash flow information

Trade accounts receivable – Net trade accounts receivable was comprised of the following at December 31:

(in thousands)	2005	2004
Trade accounts receivable	$ 113,141	$ 115,728
Allowances for uncollectible accounts	(7,903)	(5,199)
Trade accounts receivable – net	$ 105,238	$ 110,529

Changes in the allowances for uncollectible accounts for continuing operations were as follows:

(in thousands)	2005	2004	2003
Balance, beginning of year	$ 5,199	$ 1,881	$ 1,850
Bad debt expense	8,808	6,921	3,130
Write-offs, net of recoveries	(6,104)	(3,603)	(3,099)
Balance, end of year	$ 7,903	$ 5,199	$ 1,881

Inventories and supplies – Inventories and supplies were comprised of the following at December 31:

(in thousands)	2005	2004
Raw materials	$ 7,954	$ 12,377
Semi-finished goods	13,957	6,321
Finished goods	9,698	11,732
Total inventories	31,609	30,430
Supplies, primarily production	9,419	8,460
Inventories and supplies	$ 41,028	$ 38,890

Other current assets – Other current assets were comprised of the following at December 31:

(in thousands)	2005	2004
Prepayment to voluntary employee beneficiary association trust (see Note 11)	$ 19,394	$ 16,230
Cash held for customers	12,746	9,759
Other	10,679	12,797
Other current assets	$ 42,819	$ 38,786

Property, plant and equipment – Property, plant and equipment was comprised of the following at December 31:

(in thousands)	2005	2004
Land and land improvements	$ 35,560	$ 35,290

Buildings and building improvements	133,335	129,111
Machinery and equipment	290,233	287,238
Total	459,128	451,639
Accumulated depreciation	(306,160)	(293,477)
Property, plant and equipment - net	$ 152,968	$ 158,162

Assets held for sale – Assets held for sale as of December 31, 2005 include three Financial Services check printing facilities which we closed during 2004, as well as one Small Business Services facility which was closed prior to our acquisition of NEBS in June 2004. We continue to actively market these properties, which are in various stages of the sales process. The expected selling prices for these assets exceed their carrying values. These assets were also held for sale as of December 31, 2004, as were two additional facilities which we sold during 2005.

Intangibles – Intangibles were comprised of the following at December 31:

	2005			2004		
(in thousands)	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Indefinite-lived:						
Trade names	$ 59,400	$ —	$ 59,400	$ 59,400	$ —	$ 59,400
Amortizable intangibles:						
Internal-use software	304,793	(218,024)	86,769	266,814	(180,005)	86,809
Customer lists	110,164	(48,177)	61,987	108,950	(19,431)	89,519
Distributor contracts	30,900	(9,402)	21,498	30,900	(3,323)	27,577
Trade names	30,248	(7,258)	22,990	30,200	(2,105)	28,095
Other	7,849	(2,489)	5,360	7,185	(1,401)	5,784
Amortizable intangibles	483,954	(285,350)	198,604	444,049	(206,265)	237,784
Intangibles	$ 543,354	$ (285,350)	$ 258,004	$ 503,449	$ (206,265)	$ 297,184

Total amortization of intangibles for continuing operations was $79.4 million in 2005, $66.5 million in 2004 and $37.3 million in 2003. Of these amounts, amortization of internal-use software was $38.2 million in 2005, $43.6 million in 2004 and $36.4 million in 2003. Based on the intangibles in service as of December 31, 2005, estimated amortization expense for each of the next five years ending December 31 is as follows:

(in thousands)	
2006	$60,230
2007	45,242
2008	34,361
2009	22,562
2010	12,504

We acquire internal-use software in the normal course of business. In conjunction with the acquisition of NEBS in 2004 (see Note 4), we also acquired certain other intangible assets. The following intangible assets were acquired during the years indicated:

(in thousands)	2005		2004		2003	
	Amount	Weighted-average amortization period	Amount	Weighted-average amortization period	Amount	Weighted-average amortization period
Indefinite lives:						
Trade names	$ —	—	$ 59,400	—	$ —	—
Amortizable intangibles:						
Customer lists	971	9 years	103,900	6 years	—	—
Distributor contracts	—	—	30,900	9 years	—	—
Internal-use software – NEBS acquisition	—	—	23,171	4 years	—	—
Internal-use software – other	38,220	5 years	32,917	3 years	11,114	3 years
Trade names	—	—	30,200	7 years	—	—
Other	674	5 years	6,308	11 years	11	3 years
Amortizable intangibles	39,865	5 years	227,396	6 years	11,125	3 years
Acquired intangibles	$ 39,865		$ 286,796		$ 11,125	

Goodwill – As of December 31, 2005, goodwill attributable to our Small Business Services segment included $498.0 million related to the acquisition of NEBS (see Note 4) and $0.9 million related to our 2005 acquisition of Dots & Pixels, Inc., a Canadian-based full-color digital printer. This acquisition resulted in goodwill primarily due to Dots & Pixels' proprietary printing capabilities and our ability to bring these technologies to our Canadian customers. Goodwill also includes $82.2 million in our Direct Checks segment, primarily related to the acquisition of Designer Checks, which is deductible for tax purposes. Changes in goodwill were as follows:

(in thousands)	Small Business Services	Direct Checks	Total
Balance, December 31, 2003	$ —	$ 82,237	$ 82,237
Acquisition of NEBS (see Note 4)	498,503	—	498,503
Balance, December 31, 2004	498,503	82,237	580,740
Adjustment to NEBS restructuring accruals (see Note 6)	(514)	—	(514)
Acquisition of Dots & Pixels	853	—	853
Translation adjustment	44	—	44
Balance, December 31, 2005	$ 498,886	$ 82,237	$ 581,123

Other non-current assets – Other non-current assets as of December 31 were comprised of the following:

(in thousands)	2005	2004
Contract acquisition costs (net of accumulated amortization of $74,600 and $45,943, respectively)	$ 93,664	$ 83,825
Deferred advertising costs	27,017	31,455
Prepaid post-retirement asset	26,051	22,089
Other	16,521	23,026
Other non-current assets	$ 163,253	$ 160,395

Changes in contract acquisition costs were as follows:

(in thousands)	2005	2004	2003
Balance, beginning of year	$ 83,825	$ 96,085	$ 55,259

Cash payments	70,169	15,778	47,728
Change in contract acquisition obligations	(19,992)	6,490	18,684
Amortization	(34,731)	(34,528)	(25,586)
Refunds from contract terminations	(5,607)	—	—
Balance, end of year	$ 93,664	$ 83,825	$ 96,085

Accrued liabilities – Accrued liabilities as of December 31 were comprised of the following:

(in thousands)	2005	2004
Income taxes	$ 20,347	$ 22,281
Employee profit sharing and pension	19,917	45,343
Customer rebates	16,931	29,504
Accrued wages, including vacation	16,533	16,528
Cash held for customers	12,746	9,759
Restructuring due within one year (see Note 6)	5,442	12,647
Contract acquisition payments due within one year	3,865	11,505
Other	43,304	55,412
Accrued liabilities	$ 139,085	$ 202,979

Supplemental cash flow disclosures – Cash payments for interest and income taxes were as follows for the years ended December 31:

(in thousands)	2005	2004	2003
Interest paid	$ 57,393	$ 28,843	$ 19,180
Income taxes paid	105,546	108,435	110,508

As of December 31, 2005, we had accounts payable of $8.5 million related to capital asset purchases. These amounts are reflected in property, plant and equipment and intangibles in our consolidated balance sheet as of December 31, 2005, as we did receive the assets as of that date. These amounts are excluded from purchases of capital assets as presented in our consolidated statement of cash flows for the year ended December 31, 2005, as we did not pay for these purchases in 2005.

Note 3: Earnings per share

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

(in thousands, except per share amounts)	2005	2004	2003
Earnings per share – basic:			
Income from continuing operations	$ 157,963	$ 198,648	$ 192,472
Weighted-average shares outstanding	50,574	50,126	54,523
Earnings per share from continuing operations – basic	$ 3.12	$ 3.96	$ 3.53
Earnings per share – diluted:			
Income from continuing operations	$ 157,963	$ 198,648	$ 192,472
Weighted-average shares outstanding	50,574	50,126	54,523
Dilutive impact of stock options	341	370	693
Shares contingently issuable	21	53	12
Weighted-average shares and potential dilutive shares outstanding	50,936	50,549	55,228
Earnings per share from continuing operations – diluted	$ 3.10	$ 3.93	$ 3.49
Weighted-average antidilutive options excluded from calculation	1,860	1,819	1,212

Note 4: Acquisition of New England Business Service, Inc.

On June 25, 2004, we acquired all of the outstanding common stock of NEBS for $44 per share and agreed to redeem all outstanding NEBS stock options for $44 per option share less the option exercise price. The total purchase price for the acquisition was comprised of the following:

(in thousands)

Cash payments for NEBS common stock	$ 585,351
Cash payments to redeem NEBS stock options	44,087
Direct costs of the acquisition	10,351
Total purchase price	639,789
Cash acquired from NEBS	(14,031)
Payments for acquisition, net of cash acquired	$ 625,758

NEBS is a leading provider of products and services to small businesses. Its offerings include checks, forms, packaging supplies, embossed foil anniversary seals, promotional products and other printed materials which are marketed through direct response marketing, financial institution referrals, independent distributors, sales representatives and the internet. We believe NEBS is a strategic fit, as we both serve small business customers, and the acquisition expands our product offerings, customer base and non-check revenue. NEBS results of operations are included in our Small Business Services segment, except for those portions which are reported as discontinued operations (see Note 5).

To finance the acquisition, we utilized a bridge financing agreement and commercial paper. A portion of this debt was re-financed in the fourth quarter of 2004 when we issued $600.0 million of long-term debt. Further details concerning this long-term debt can be found in Note 13.

NEBS operating results are included in our consolidated results of operations from the acquisition date. The allocation of the purchase price to the assets acquired and liabilities assumed resulted in goodwill of $498.0 million. We believe the NEBS acquisition resulted in the recognition of goodwill primarily because of its industry position, the potential to introduce products across multiple channels and the ability to realize cost synergies. The following illustrates our allocation of the purchase price to the assets acquired and liabilities assumed:

(in thousands)

Cash and cash equivalents	$ 14,681
Trade accounts receivable	71,563
Inventories and supplies	38,293
Current deferred income taxes	26,928
Other current assets	14,483
Long-term investments	2,974
Property, plant and equipment	59,236
Assets held for sale	2,981
Intangibles	253,871
Goodwill	497,989
Other non-current assets	8,420
Accounts payable	(30,124)
Accrued liabilities	(91,650)
Long-term debt due within one year	(10,417)
Long-term debt	(155,203)
Long-term deferred income taxes	(56,960)
Other non-current liabilities	(7,276)
Total purchase price	$ 639,789

Information concerning the intangible assets acquired as part of this acquisition can be found in Note 2. Amortizable trade names and software are being amortized on the straight-line basis. The other amortizable intangible assets are being amortized using accelerated methods.

The following unaudited, pro forma financial information illustrates our estimated results of operations as if the acquisition of NEBS had occurred as of the beginning of each period presented:

(in thousands, except per share amounts)	2004	2003
Revenue	$ 1,884,250	$ 1,918,471
Net income	185,709	171,332
Earnings per share:		
Basic	$ 3.70	$ 3.14
Diluted	3.67	3.10

NEBS 2003 results of operations include goodwill and asset impairment charges of $13.2 million related to its apparel business. These charges are reflected in the above pro forma results of operations. The pro forma results of operations are presented for comparative purposes only. They do not represent the results which would have been reported had the acquisition occurred on the dates assumed and are not necessarily indicative of future operating results.

Note 5: Discontinued operations

In December 2004, we announced the planned sale of NEBS' apparel business known as PremiumWear. This sale was completed in September 2005. Net proceeds from the sale were $15.8 million, resulting in a pre-tax gain of $0.8 million.

During the fourth quarter of 2004, we disposed of substantially all of the operations of NEBS European businesses. Net proceeds from the sale were $0.8 million. No gain or loss was recognized on this disposition as the assets and liabilities were recorded at fair value on the acquisition date. Not included in this sale was a building located in the United Kingdom. This building is currently for sale and it is our intention to complete this sale in the first half of 2006.

Assets of discontinued operations are included in our Small Business Services segment. The major classes of assets and liabilities of discontinued operations as of December 31 were as follows:

(in thousands)	2005	2004
Cash and cash equivalents	$ —	$ 3
Trade accounts receivable	8	5,640
Inventories and supplies	—	12,645
Deferred income taxes	—	2,442
Other current assets	—	1,911
Current assets of discontinued operations	8	22,641
Property, plant and equipment	2,256	2,514
Deferred income taxes	—	4,450
Non-current assets of discontinued operations	2,256	6,964
Accounts payable	—	(1,373)
Accrued liabilities	(117)	(3,503)
Current liabilities of discontinued operations	(117)	(4,876)
Non-current liabilities of discontinued operations	(203)	(3,490)
Net assets of discontinued operations	$ 1,944	$ 21,239

Revenue and loss from discontinued operations for the years ended December 31 were as follows:

(in thousands)	2005	2004
Revenue	$ 33,249	$ 28,789
Loss from operations	$ (1,066)	$ (1,098)
Gain on disposal	798	—
Income tax (expense) benefit	(174)	441
Net loss from discontinued operations	$ (442)	$ (657)

Note 6: Restructuring accruals

2004 restructuring charges – During 2004, we recorded restructuring charges of $5.7 million for employee severance primarily related to the closing of our Financial Services check printing facility located in Dallas, Texas and our Direct Checks check printing facility located in Anniston, Alabama, as well as reductions in various functional areas primarily within our Direct Checks and Financial Services segments. The closure of the Dallas facility was primarily due to the loss of a major financial institution client whose contract expired at the end of 2004. The other reductions were a result of the continuing decline in check usage, as well as increased productivity. Both the Dallas and Anniston facilities were closed during the fourth quarter of 2004. The other employee reductions were completed during 2005. In total, 450 employees received a total of $5.3 million in severance payments, which were funded by cash from operations. Also during 2004, we reversed $1.3 million of previously recorded restructuring accruals due to fewer employees receiving severance benefits than originally estimated. These restructuring charges and reversals are reflected as cost of goods sold of $2.0 million and SG&A expense of $2.4 million in our 2004 consolidated statement of income.

2003 restructuring charges – During 2003, we recorded restructuring charges of $11.8 million for employee severance primarily related to the closing of three of our Financial Services check printing facilities and other

reductions in employees within Financial Services. We were able to close the three check printing facilities because of the expertise we have developed in logistics, productivity and inventory management, as well as the decline in check usage. The other employee reductions were the result of our ongoing cost management efforts. All three check printing facilities were closed during 2004, and the other employee reductions were also substantially completed during 2004. In total, 573 employees received a total of $10.7 million in

severance payments, which were funded by cash from operations. During 2003, we also reversed $0.4 million of previously established restructuring accruals due to fewer employees receiving severance benefits than originally estimated. These restructuring charges and reversals are reflected in our 2003 consolidated statement of income as cost of goods sold of $5.0 million and SG&A expense of $6.4 million.

Acquisition-related restructuring – As a result of the NEBS acquisition (see Note 4), we assumed restructuring accruals of $1.3 million related to NEBS facility closings which were completed prior to the acquisition. Employee severance payments related to these facility closings were completed by the end of 2004, utilizing cash from operations. Additionally, we recorded restructuring accruals of $30.2 million in 2004 related to NEBS activities which are being exited as we combine the two companies. The restructuring accruals include severance benefits and $2.8 million due under noncancelable operating leases on facilities which have been or will be vacated as we consolidate operations. The severance accruals include payments due 700 employees. This includes employees in the Tucker, Georgia printing facility, which was closed during the fourth quarter of 2004, and the Los Angeles, California and Athens, Ohio facilities, which we plan to close by mid-2006. Additionally, the accruals include employees in various functional areas throughout NEBS resulting from our shared services approach to manufacturing and certain SG&A functions. The severance accruals also included amounts due to certain NEBS executives under change of control provisions included in their employment agreements, as we eliminated redundancies between the two companies. As these accruals were included in the liabilities recorded upon acquisition, the related charges are not reflected in our consolidated statements of income.

During the second quarter of 2005, we reduced the acquisition-related restructuring accruals by $0.5 million due to a change in estimate as to the number of employees who will receive severance benefits. This adjustment reduced goodwill, and thus, is not reflected in our 2005 consolidated statement of income.

As of December 31, 2005, the majority of the remaining severance accruals related to the two facility closings scheduled for mid-2006. As such, the related severance payments are expected to be substantially completed by the end of 2006, utilizing cash from operations. The remaining payments due under the operating lease obligations will be paid through mid-2008, utilizing cash from operations.

Restructuring accruals of $6.5 million as of December 31, 2005 and $16.9 million as of December 31, 2004 are reflected in accrued liabilities and other non-current liabilities in our consolidated balance sheets. By company initiative, our restructuring accruals were as follows:

(in thousands)	2001/2002 initiatives	2003 initiatives	2004 initiatives	NEBS pre-acquisition	NEBS acquisition related	Total
Balance, December 31, 2002	$ 1,155	$ —	$ —	$ —	$ —	$ 1,155
Restructuring charges	—	11,794	—	—	—	11,794
Restructuring reversals	(241)	(200)	—	—	—	(441)
Severance paid	(914)	(846)	—	—	—	(1,760)
Balance, December 31, 2003	—	10,748	—	—	—	10,748
Restructuring charges	—	180	5,515	—	—	5,695
NEBS acquisition	—	—	—	1,321	30,244	31,565
Restructuring reversals	—	(1,120)	(134)	—	—	(1,254)
Payments, primarily severance	—	(9,804)	(3,030)	(1,321)	(15,688)	(29,843)
Balance, December 31, 2004	—	4	2,351	—	14,556	16,911
Restructuring charges	—	25	335	—	464	824
Restructuring reversals	—	—	(397)	—	(572)	(969)
Acquisition adjustment	—	—	—	—	(514)	(514)
Payments, primarily severance	—	(29)	(2,279)	—	(7,401)	(9,709)
Balance, December 31, 2005	$ —	$ —	$ 10	$ —	$ 6,533	$ 6,543
Cumulative amounts:						
Restructuring charges	$ 5,651	$ 11,999	$ 5,850	$ 1,321	$ 30,194	$ 55,015
Restructuring reversals	(457)	(1,320)	(531)	—	(572)	(2,880)
Payments	(5,194)	(10,679)	(5,309)	(1,321)	(23,089)	(45,592)
Balance, December 31, 2005	$ —	$ —	$ 10	$ —	$ 6,533	$ 6,543

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

	Employee severance				Operating lease obligations	
(in thousands)	Small Business Services	Financial Services	Direct Checks	Corporate	Small Business Services	Total
Balance, December 31, 2002	$ 22	$ 1,126	$ 7	$ —	$ —	$ 1,155
Restructuring charges	94	11,610	—	90	—	11,794
Restructuring reversals	—	(441)	—	—	—	(441)
Payments	(22)	(1,731)	(7)	—	—	(1,760)
Balance, December 31, 2003	94	10,564	—	90	—	10,748

Restructuring charges	59	2,576	2,411	649	—	5,695
NEBS acquisition	28,769	—	—	—	2,796	31,565
Restructuring reversals	—	(1,156)	(98)	—	—	(1,254)
Payments	(17,102)	(10,182)	(2,109)	(413)	(37)	(29,843)
Balance, December 31, 2004	11,820	1,802	204	326	2,759	16,911
Restructuring charges	389	25	171	164	75	824
Restructuring reversals	(572)	(388)	—	(9)	—	(969)
Acquisition adjustment	(514)	—	—	—	—	(514)
Payments	(7,288)	(1,439)	(365)	(481)	(136)	(9,709)
Balance, December 31, 2005	$ 3,835	$ —	$ 10	$ —	$ 2,698	$ 6,543
Cumulative amounts:						
Restructuring charges	$ 29,150	$ 18,446	$ 3,645	$ 903	$ 2,871	$ 55,015
Restructuring reversals	(572)	(2,201)	(98)	(9)	—	(2,880)
Payments	(24,743)	(16,245)	(3,537)	(894)	(173)	(45,592)
Balance, December 31, 2005	$ 3,835	$ —	$ 10	$ —	$ 2,698	$ 6,543

The number of employees affected by our company initiatives was as follows:

	2001/2002 initiatives	**2003 initiatives**	**2004 initiatives**	**NEBS acquisition related**	**Total**
Balance, December 31, 2002	69	—	—	—	69
Restructuring charges	—	635	—	—	635
Restructuring reversals	(4)	(20)	—	—	(24)
Severance	(65)	(82)	—	—	(147)
Balance, December 31, 2003	—	533	—	—	533
Restructuring charges	—	—	483	—	483
NEBS acquisition	—	—	—	884	884
Restructuring reversals	—	(42)	(18)	—	(60)
Severance	—	(488)	(425)	(259)	(1,172)
Balance, December 31, 2004	—	3	40	625	668
Restructuring charges	—	—	3	4	7
Restructuring reversals	—	—	(18)	(188)	(206)
Severance	—	(3)	(25)	(175)	(203)
Balance, December 31, 2005	—	—	—	266	266

In addition to severance and remaining operating lease obligations, we also incurred other costs related to facility closures, including equipment moves, training and travel. These costs were expensed as incurred, primarily as cost of goods sold, and totaled $2.1 million. Of this amount, $1.8 million was expensed in 2004 and $0.3 million was expensed in 2003.

Note 7: Asset impairment losses

During 2003, we recorded asset impairment losses of $5.3 million, primarily in the Financial Services segment. The impaired assets consisted of both manufacturing technologies and software. We had been intending to implement the manufacturing technologies during 2003. However, having already realized many efficiencies in our manufacturing function as a result of other initiatives, including the implementation of lean manufacturing, the incremental benefits expected from these technologies no longer warranted their implementation. The impaired software was intended to replace several of our existing systems and bring various technologies used by the company onto one platform. However, based on our continuing evaluation of investment initiatives, we determined that the costs to implement the system and the timeline for implementation did not result in an adequate return on our investment. The majority of the impaired assets had no alternative uses and could not be sold to third parties. Thus, these assets were written down to a carrying value of zero. Certain related hardware was sold to third parties and was written down to its fair value less costs to sell. Of the total asset impairment losses, $3.6 million related to property, plant and equipment and $1.7 million related to intangible assets. The losses are reflected in SG&A expense in our consolidated statement of income for the year ended December 31, 2003.

Note 8: Derivative financial instruments

During 2004, we entered into $450.0 million of forward starting interest rate swaps to hedge, or lock-in, the interest rate on a portion of the $600.0 million debt we issued in October 2004 (see Note 13). The termination of the lock agreements in September 2004 yielded a deferred pre-tax loss of $23.6 million. During 2002, we entered into two forward rate lock agreements to effectively hedge the annual interest rate on $150.0 million of the $300.0 million notes issued in December 2002 (see Note 13). The termination of the lock agreements yielded a deferred pre-tax loss in December 2002 of $4.0 million. These losses are reflected, net of tax, in accumulated other comprehensive loss in our consolidated balance sheets and are being reclassified ratably to our statements of income as increases to interest expense over the term of the related debt.

Note 9: Provision for income taxes

The components of the provision for income taxes for continuing operations were as follows:

(in thousands)	2005	2004	2003
Current tax provision:			
Federal	$ 95,484	$ 115,088	$ 99,009
State	9,210	14,552	15,393
Total	104,694	129,640	114,402
Deferred tax benefit	(11,923)	(11,415)	(7,494)
Provision for income taxes	$ 92,771	$ 118,225	$ 106,908

Our provision for income taxes for 2005 includes tax expense of $0.7 million related to the repatriation of $8.1 million from our Canadian operations under the foreign earnings repatriation provision within the American Jobs Creation Act of 2004. This new law provided for a special one-time deduction of 85% of certain foreign earnings that were repatriated and which met certain requirements.

The effective tax rate on pre-tax income from continuing operations differed from the U.S. federal statutory tax rate of 35% as follows:

	2005	2004	2003
Income tax at federal statutory rate	35.0%	35.0%	35.0%
State income taxes net of federal income tax benefit	2.1%	2.4%	3.1%
Qualified production activity credit	(0.9%)	—	—
Change in tax contingencies	—	—	(2.4%)
Other	0.8%	(0.1%)	—
Provision for income taxes	37.0%	37.3%	35.7%

We have established reserves for income tax contingencies. We establish reserves when, despite our belief that the tax return positions are fully supportable, certain positions are likely to be challenged and we may ultimately not prevail in defending those positions. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit. Our effective tax rate includes the impact of reserve provisions and changes to reserves, as well as related interest. Our reserves for contingent tax liabilities totaled $15.4 million as of December 31, 2005 and $17.6 million as of December 31, 2004, and are included in accrued liabilities in our consolidated balance sheets. These reserves relate to various tax years subject to audit by taxing authorities. We believe that our current tax reserves are adequate, and reflect the most probable outcome of known tax contingencies. However, the ultimate outcome may differ from our estimates and assumptions and could impact the provision for income taxes reflected in our consolidated statements of income. Unfavorable settlement of any particular issue would require the use of cash. Favorable resolution could result in reduced income tax expense in our consolidated statements of income in the future.

During 2003, we reversed $7.3 million of previously established income tax reserves. A prior year federal audit period was closed due to the expiration of the statute of limitations, and we reached agreements with two states to favorably settle proposed income tax audit assessments. As a result, the related reserves were no longer required.

Tax effected temporary differences which gave rise to deferred tax assets and liabilities at December 31 were as follows:

	2005		2004	
(in thousands)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	$ —	$ 52,053	$ —	$ 70,890
Goodwill	—	12,620	—	8,185
Property, plant and equipment	—	12,352	—	11,860
Deferred advertising costs	—	10,295	—	11,638
Prepaid services	—	—	—	10,153
Employee benefit plans	15,096	—	12,093	—
Interest rate lock agreements (see Note 8)	8,015	—	9,550	—
Miscellaneous reserves and accruals	6,939	—	11,624	—
Inventories	4,619	—	4,753	—

All other	6,154	4,101	6,618	870
Total deferred taxes	40,823	91,421	44,638	113,596
Valuation allowance	(131)	—	—	—
Net deferred taxes	$ 40,692	$ 91,421	$ 44,638	$ 113,596

The valuation allowance as of December 31, 2005 relates to a federal operating loss carryforward which we retained upon the sale of our apparel business in September 2005 (see Note 5).

As of December 31, 2005, we had state and federal net operating loss carryforwards of $3.8 million. These loss carryforwards expire at various dates up to 2024. We also had Canadian operating loss carryforwards of $1.8 million which expire at various dates between 2009 and 2012.

Note 10: Stock-based compensation plans

On January 1, 2004, we adopted the fair value method of accounting for employee stock-based compensation (see Note 1). Prior to 2004 we accounted for stock-based compensation in accordance with APB Opinion No. 25. Expense recognized in the consolidated statements of income for our stock-based compensation plans was as follows:

(in thousands)	2005	2004	2003
Stock options	$ 3,448	$ 6,265	$ —
Restricted stock and restricted stock units	2,325	4,877	954
Employee stock purchase plan	810	659	—
Performance share plans	420	447	—
Total stock-based compensation expense	$ 7,003	$ 12,248	$ 954

Employee stock purchase plan – Under our employee stock purchase plan, eligible employees may purchase Deluxe common stock at 85% of the lower of its fair market value at the beginning or end of each six-month purchase period. During 2005, 91,902 shares were issued at prices of $32.53 and $32.99. During 2004, 100,241 shares were issued at a price of $33.88. During 2003, 119,260 shares were issued at prices of $32.38 and $34.26.

Stock incentive plan – Under our stock incentive plan, stock-based awards may be issued to employees via a broad range of methods, including non-qualified or incentive stock options, restricted stock and restricted stock units, stock appreciation rights and other awards based on the value of Deluxe common stock. During 2004, we implemented changes to our long-term compensation strategy. Rather than using stock options as the exclusive form of long-term incentive, we are now utilizing a combination of stock options, performance shares and restricted stock,

as authorized under this plan. The plan reserved 8.5 million shares of common stock for issuance, with 4.4 million of these shares still available for issuance as of December 31, 2005.

All options granted under the plan allow for the purchase of shares of common stock at prices equal to their market value at the date of grant. Options become exercisable in varying amounts generally beginning one year after the date of grant, with one-third vesting each year over three years. In the case of qualified retirement, death, disability or involuntary termination, options vest immediately. Employees forfeit unvested options when they voluntarily terminate their employment with the company. Terms vary, but generally options may be exercised up to seven years following the date of grant. Compensation expense is recorded over the three-year vesting period.

Information regarding options issued under the current and all previous plans is as follows:

	Number of shares	Weighted average exercise price
Outstanding at December 31, 2002	3,531,015	$ 31.17
Granted	1,375,650	38.58
Exercised	(858,764)	23.03
Canceled	(200,716)	26.83
Outstanding at December 31, 2003	3,847,185	35.87
Granted	199,126	42.35
Exercised	(538,972)	28.81
Canceled	(256,843)	42.51
Outstanding at December 31, 2004	3,250,496	36.84
Granted	239,087	39.63
Exercised	(325,858)	25.29
Canceled	(203,340)	36.62
Outstanding at December 31, 2005	2,960,385	38.46

Options for the purchase of 2,256,758 shares were exercisable at December 31, 2005 at a weighted-average exercise price of $38.12. Options for the purchase of 1,955,950 shares were exercisable at December 31, 2004 at a weighted-average exercise price of $33.80, and 1,471,102 option shares were exercisable at December 31, 2003 at a weighted-average exercise price of $30.33.

For options outstanding and exercisable at December 31, 2005, the exercise price ranges and average remaining lives were as follows:

	Options outstanding			Options exercisable	
Range of exercise prices	**Number outstanding**	**Weighted-average remaining life**	**Weighted-average exercise price**	**Number exercisable**	**Weighted-average exercise price**
$16.00 to $32.99	559,509	2.9 years	$ 20.55	559,509	$ 20.55
$33.00 to $38.99	993,736	4.1 years	38.54	642,594	38.54
$39.00 to $46.99	441,191	5.7 years	40.81	88,706	41.94
$47.00 to $47.67	965,949	3.1 years	47.67	965,949	47.67
Total	2,960,385	3.8 years	38.46	2,256,758	38.12

We also utilize restricted stock and restricted stock units when compensating certain employees. In addition to those awards made under our stock incentive plan, these employees may elect to receive a portion of their compensation in the form of restricted stock. Compensation expense for these awards is recorded over the applicable service period. We issued 206,281 restricted shares and restricted stock units at a weighted-average fair value of $36.53 in 2005, 70,819 restricted shares and restricted stock units at a weighted-average fair value of $42.12 in 2004

and 70,536 restricted shares and restricted stock units at a weighted-average fair value of $39.49 in 2003. These awards generally vest over periods ranging from one to three years.

Under our 2005 and 2004 performance share grants, the level of shares earned is contingent upon attaining specific performance targets over a three-year period. The fair value of the performance shares granted is equal to the market price of our stock at the date of grant. Compensation expense is recorded over the three-year performance period based on our estimate of the number of shares which will be earned by the award recipients.

Note 11: Employee benefit plans

Profit sharing, defined contribution and 401(k) plans – We maintain a profit sharing plan, a defined contribution pension plan and a plan established under section 401(k) of the Internal Revenue Code to provide retirement benefits for certain employees. These plans cover substantially all full-time and some part-time employees. Employees are eligible to participate in the plans on the first day of the quarter following their first full year of service. We also provide cash bonus programs which cover all employees.

Contributions to the profit sharing and defined contribution plans are made solely by Deluxe and are remitted to the plans' respective trustees. Benefits provided by the plans are paid from accumulated funds of the trusts. In 2005, 2004 and 2003, contributions to the defined contribution pension plan equaled 4% of eligible compensation. Contributions to the profit sharing plan vary based on the company's performance. Under the 401(k) plan, employees could contribute up to the lesser of $14,000 or 50% of eligible wages during 2005. In addition, employees 50 years of age or older were able to make additional contributions of up to $4,000 during 2005. We match 100% of the first 1% of wages contributed by employees and 50% of the next 4% of wages contributed. All employee and employer contributions are remitted to the plans' respective trustees and benefits provided by the plans are paid from accumulated funds of the trusts. Payments made under the cash bonus programs vary based on the company's performance and are paid in cash directly to employees.

Employees are provided a broad range of investment options to choose from in investing their profit sharing, defined contribution and 401(k) plan funds. Investing in Deluxe common stock is not one of these options, although funds selected by employees may at times hold Deluxe common stock.

Expense recognized in the consolidated statements of income for these plans was as follows:

(in thousands)	2005	2004	2003
Profit sharing/cash bonus plans	$ 5,901	$ 28,709	$ 12,102
Defined contribution pension plan	10,975	8,066	8,228
401(k) plan	8,084	7,880	4,922

Deferred compensation plan – We have a non-qualified deferred compensation plan that allows eligible employees to defer a portion of their compensation. Participants can elect to defer up to a maximum of 100 percent of their base salary plus up to 50 percent of their bonus for the year. The compensation deferred under this plan is credited with earnings or losses measured by the mirrored rate of return on investments elected by plan participants. Each participant is fully vested in all deferred compensation and earnings. A participant may elect to receive deferred amounts in one payment or in monthly installments upon termination of employment or disability. Our total liability under this plan was $12.2 million as of December 31, 2005 and $15.4 million as of December 31, 2004. These amounts are reflected in accrued liabilities and other long-term liabilities in the consolidated balance sheets. We fund this liability through investments in company-owned life insurance policies, as well as debt and equity securities. These investments are included in long-term investments in the consolidated balance sheets and totaled $17.9 million as of December 31, 2005 and $17.7 million as of December 31, 2004.

Voluntary employee beneficiary association trust – We have formed a voluntary employee beneficiary association (VEBA) trust to fund employee and retiree medical and severance costs. Contributions to the VEBA trust are tax deductible, subject to limitations contained in the Internal Revenue Code. VEBA assets primarily consist of fixed income

investments. We made contributions to the VEBA trust of $42.0 million in 2005, $40.5 million in 2004

and $32.0 million in 2003. The excess of assets in our VEBA trust over the amount of incurred but not reported claims was $19.4 million as of December 31, 2005 and $16.2 million as of December 31, 2004. This amount is reflected in other current assets in our consolidated balance sheets.

Note 12: Pension and other post-retirement benefits

We have historically provided certain health care benefits for a large number of retired employees. Employees hired prior to January 1, 2002 become eligible for benefits if they attain the appropriate years of service and age while working for Deluxe. Employees hired on January 1, 2002 or later are not eligible to participate in our retiree health care plan. During the fourth quarter of 2003, we amended our plan to reduce the amount of benefits payable. In order to receive the current level of benefits, employees had to reach 20 years of service and 75 points (total of age and years of service) prior to January 1, 2006. Employees reaching 20 years of service and 75 points between January 1, 2006 and December 31, 2008 are eligible for the current level of benefits; however, their premiums will not be reduced once they become eligible for Medicare as was previously the case. Employees reaching 20 years of service and 75 points after December 31, 2008 must pay the full cost of coverage if they elect to participate in our health care plan. As a result of this plan change, we recognized a curtailment gain of $4.0 million during 2003. This gain is reflected as a reduction of cost of goods sold of $1.4 million and a reduction of SG&A expense of $2.6 million in our 2003 consolidated statement of income.

In addition to the changes in employee eligibility, we also enacted certain other plan amendments in 2003. These amendments encompassed such changes as increasing prescription drug plan co-payments, increasing deductibles and offering new consumer-driven insurance plans.

In December 2003, a law was enacted which introduced a prescription drug benefit under Medicare, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare plan. Our retiree medical plan does provide prescription drug coverage which is at least actuarially equivalent to the Medicare plan. Effective April 1, 2004, we began reflecting the impact of this new law in our post-retirement benefit expense, utilizing the retroactive application method outlined in FSP No. FAS 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of* 2003. In accordance with this accounting guidance, we completed a re-measurement of our plan assets and liabilities as of December 31, 2003. The federal subsidy provided for under the new Medicare law resulted in a $9.5 million reduction in our accumulated post-retirement benefit obligation as of December 31, 2003 and resulted in a $1.0 million reduction in our post-retirement benefit expense in 2004.

In addition to our post-retirement benefit plans, we also have three pension plans which we acquired as part of the NEBS acquisition (see Note 4). Supplemental executive retirement (SERP) plans in the United States and Canada and a pension plan which covers certain Canadian employees had a total projected benefit obligation of $14.2 million as of the date of our acquisition of NEBS.

Obligations and funded status – The following table summarizes the change in benefit obligation and plan assets during 2005 and 2004:

(in thousands)	Post-retirement benefit plans	Pension plans
Benefit obligation, December 31, 2003	$ 111,181	$ —
Service cost	786	139
Interest cost	6,012	457
Actuarial losses – net	15,418	20
Acquisition of NEBS (see Note 4)	2,743	14,231
Benefits paid from the VEBA trust (see Note 11) and company funds	(9,267)	(3,124)
Translation adjustment	—	401
Benefit obligation, December 31, 2004	126,873	12,124
Service cost	782	289
Interest cost	6,915	588
Actuarial losses – net	21,166	218
Benefits paid from the VEBA trust (see Note 11) and company funds	(11,881)	(3,876)
Disposition of apparel business (see Note 5)	(660)	—
Effect of curtailment	—	139
Translation adjustment	—	209
Benefit obligation, December 31, 2005	$ 143,195	$ 9,691
Fair value of plan assets, December 31, 2003	$ 67,201	$ —
Actual return (loss) on plan assets	9,315	(15)
Acquisition of NEBS (see Note 4)	—	2,454
Company contributions	—	4,022

Benefits and expenses paid	—	(3,182)
Translation adjustment	—	297
Fair value of plan assets, December 31, 2004	76,516	3,576
Actual return on plan assets	14,073	350
Company contributions	—	883
Benefits and expenses paid	—	(129)
Translation adjustment	—	189
Fair value of plan assets, December 31, 2005	$ 90,589	$ 4,869

Plan assets of our post-retirement medical plans do not include the assets of the VEBA trust discussed in Note 11. Plan assets consist only of those assets invested in a trust established under section 401(h) of the Internal Revenue Code. These assets can be used only to pay retiree medical benefits, whereas the assets of the VEBA trust may be used to pay medical and severance benefits for both active and retired employees.

The accumulated benefit obligation (ABO) for all of our pension plans was $9.3 million as of December 31, 2005 and $11.1 million as of December 31, 2004. The ABO differs from the projected benefit obligation shown in the table above because it does not include an assumption as to future compensation levels. As of December 31, 2004, all three pension plans' obligations exceeded plan assets. As of December 31, 2005, two of our three pension plans, the United States SERP plan and the Canadian pension plan, had accumulated benefit obligations in excess of plan assets, as follows:

(in thousands)	2005
Projected benefit obligation	$ 8,914
Accumulated benefit obligation	8,661
Fair value of plan assets	4,083

The funded status of our plans as of December 31 was as follows:

(in thousands)	Post-retirement benefit plans 2005	Post-retirement benefit plans 2004	Pension plans 2005	Pension plans 2004
Benefit obligation	$ 143,195	$ 126,873	$ 9,691	$ 12,124
Less:				
Fair value of plan assets (debt and equity securities)	90,589	76,516	4,869	3,576
Unrecognized prior service benefit	(18,284)	(20,901)	—	—
Unrecognized net actuarial loss	96,941	92,505	460	185
Fourth quarter contributions	—	47	113	3,414
Translation adjustment	—	—	32	13
(Prepaid) accrued benefit cost	$ (26,051)	$ (21,294)	$ 4,217	$ 4,936

Of the $21.3 million prepaid benefit cost for our post-retirement benefit plans as of December 31, 2004, a liability of $0.8 million related to the PremiumWear apparel business which we sold in the third quarter of 2005 (see Note 5). As this business was reported as discontinued operations, this liability was included in non-current liabilities of discontinued operations in our consolidated balance sheet as of December 31, 2004.

The unrecognized prior service benefit for our post-retirement benefit plans resulted from the 2003 curtailment and other plan amendments. These changes resulted in a reduction of the accumulated post-retirement benefit obligation. This reduction was first used to reduce any existing unrecognized prior service cost, then to reduce any remaining unrecognized transition obligation. The excess is the unrecognized prior service benefit, which is being amortized on the straight-line basis over the average remaining service period of employees expected to receive benefits under the plan, which is currently 8.1 years. The unrecognized net actuarial loss is also being amortized over the average remaining service period of employees expected to receive benefits under the plan. Because employees hired after December 31, 2001 are not eligible to participate in our retiree health care plan, the average remaining service life of employees expected to receive benefits will continue to decrease. The unrecognized net actuarial loss of our post-retirement benefit plans results from experience different from that assumed or from changes in assumptions. This amount was comprised of the following as of December 31:

(in thousands)	2005	2004
Discount rate assumption	$ 33,355	$ 31,482
Health care cost trend	25,682	28,754
Claims experience	15,135	14,252
Return on plan assets	11,528	21,019

Other	11,241	(3,002)
Unrecognized net actuarial loss	$ 96,941	$ 92,505

Net pension and post-retirement benefit expense – Net pension and post-retirement benefit expense for the years ended December 31 consisted of the following components:

(in thousands)	Post-retirement benefit plans 2005	2004	2003	Pension plans 2005	2004
Service cost	$ 782	$ 786	$ 2,556	$ 289	$ 139
Interest cost	6,915	6,012	7,796	588	457
Expected return on plan assets	(6,695)	(6,376)	(4,490)	(263)	(88)
Amortization of transition obligation	—	—	419	—	—
Amortization of prior service (benefit) cost	(2,617)	(2,617)	362	—	—
Recognized amortization of net actuarial losses	9,375	7,345	4,082	—	—
Total periodic benefit expense	7,760	5,150	10,725	614	508
Curtailment (gain) loss	—	(33)	(4,000)	139	—
Net periodic benefit expense	$ 7,760	$ 5,117	$ 6,725	$ 753	$ 508

Actuarial assumptions – A September 30 measurement date is used for the calculations related to our pension and post-retirement benefit plans.

In measuring benefit obligations as of December 31, the following assumptions were used:

	Post-retirement benefit plans 2005	2004	Pension plans 2005	2004
Discount rate	5.50%	5.75%	4.50% - 5.50%	5.75% - 6.25%
Rate of compensation increase	—	—	3.50%	3.50%

The discount rate assumption is based on the rates of return on high-quality, fixed-income instruments currently available whose cash flows match the timing and amount of expected benefit payments. In determining the discount rate, we utilize yield curve approaches to discount each cash flow stream at an interest rate specifically applicable to the timing of each respective cash flow. The present value of each cash flow stream is aggregated and used to impute a weighted-average discount rate. Additionally, we consider Moody's high quality corporate bond rates when selecting our discount rate.

In measuring net periodic benefit expense for the years ended December 31, the following assumptions were used:

	Post-retirement benefit plans 2005	2004	2003	Pension plans 2005	2004
Discount rate	5.75%	6.00%	6.75%	5.75% - 6.25%	6.00% - 6.50%
Expected return on plan assets	8.75%	8.75%	8.75%	6.00%	6.00%
Rate of compensation increase	—	—	—	3.50%	3.50% - 4.00%

In determining the expected long-term rate of return on plan assets, we first study historical markets. We then use this data to estimate future returns assuming that long-term historical relationships between equity and fixed income investments are consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. We evaluate current market factors such as inflation and interest rates before we determine long-term capital market assumptions. We also review historical returns to check for reasonableness and appropriateness.

In measuring benefit obligations and net periodic benefit expense for our post-retirement medical plans, the following assumptions for health care cost trend rates were used:

	2005	2004	2003
Health care cost trend rate assumed for next year	9.75%	10.75%	9.25%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.25%	5.25%	5.25%
Year that the rate reaches the ultimate trend rate	2011	2011	2009

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(in thousands)	One-percentage-point increase	One-percentage-point decrease
Effect on total of service and interest cost	$ 979	$ (1,019)
Effect on benefit obligation	17,971	(15,967)

Plan assets – The allocation of plan assets by asset category as of December 31 was as follows:

	Post-retirement benefit plans		Pension plans	
	2005	2004	2005	2004
Equity securities	87%	85%	57%	57%
Debt securities	13%	15%	39%	39%
Cash and cash equivalents	—	—	4%	4%
Total	100%	100%	100%	100%

Our post-retirement health care plan and the defined benefit component of the Canadian pension plan have assets that are intended to meet long-term obligations that extend for several decades. In order to meet these obligations, we employ a total return investment approach using a mix of equity and fixed income investments to maximize the long-term return for both of these plans within a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and current corporate financial condition. Given the modest size of the defined benefit component of the Canadian pension plan, a pooled balance fund is utilized for the investment of these assets.

Because of the long-term benefit payments horizon, we have set a target allocation for our post-retirement health care plan which is biased toward equity securities. For the U.S. plan, our target is 80% equity securities and 20% fixed income securities. Within equity securities, we target the following allocation: 35% large capitalization equities, 25% small capitalization equities, 20% mid-capitalization equities and 20% international equities. When available within each of these equity groups, the assets are split equally among growth and value investments. Within the Canadian pension plan, the following allocation ranges are targeted by the investment manager: 20% to 45% Canadian equities, 25% to 50% Canadian fixed income securities, 15% to 35% global equities, and 0% to 20% cash and cash equivalents.

The investment of the assets of the defined benefit component of the Canadian pension plan conforms to the Statement of Investment Policies & Procedures for the Canadian pension plan. The pension committee that oversees the Canadian pension plan reviews the policy annually. The target allocations for both plans were determined by modeling the risk/return trade-offs among asset classes utilizing assumptions about expected annual return, expected volatility/standard deviation of returns and expected correlations with all other asset classes. Plan assets are not invested in real estate, private equity or hedge funds and are not leveraged beyond the market value of the underlying

investments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements and periodic asset/liability studies.

Cash flows – We are not contractually obligated to make contributions to post-retirement benefit plan assets, and we do not anticipate making any such contributions during 2006. However, we do anticipate that we will pay net benefits of $10.8 million during 2006 utilizing the assets of the VEBA trust (see Note 11).

During 2004, we fully funded the SERP obligation with investments in company-owned life insurance policies. The cash surrender value of these policies is included in long-term investments in the consolidated balance sheets and totaled $6.4 million as of December 31, 2005 and $6.0 million as of December 31, 2004. We plan to pay pension benefits of $0.4 million during 2006, and we plan to make contributions of $0.6 million to the pension plans during 2006.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the years indicated:

	Post-retirement benefit plans			Pension plans
(in thousands)	Gross benefit payments	Medicare subsidy expected	Net benefit payments	Gross benefit payments
2006	$ 11,500	$ 700	$ 10,800	$ 448
2007	11,973	778	11,195	486
2008	12,101	861	11,240	480
2009	12,317	932	11,385	486
2010	12,428	994	11,434	502
2011 – 2015	62,728	5,572	57,156	2,717

Note 13: Debt

Debt outstanding as of December 31 was as follows:

(in thousands)	2005	2004
3.5% senior, unsecured notes due October 1, 2007, net of discount	$ 324,882	$ 324,815
5.0% senior, unsecured notes due December 15, 2012, net of discount	298,683	298,494
5.125% senior, unsecured notes due October 1, 2014, net of discount	274,461	274,399
2.75% senior, unsecured notes due September 15, 2006	—	50,000
Long-term portion of capital lease obligations	4,779	6,140
Long-term portion of debt	902,805	953,848
Commercial paper	212,346	264,000
2.75% senior, unsecured notes due September 15, 2006	50,000	—
Variable rate senior, unsecured notes due November 4, 2005	—	25,000
Capital lease obligations due within one year	1,359	1,359
Short-term portion of debt	263,705	290,359
Total debt	$ 1,166,510	$ 1,244,207

All of our senior, unsecured notes include covenants that place restrictions on the issuance of additional debt that would be senior to the notes and the execution of certain sale-leaseback agreements. With the exception of the 3.5% notes due October 1, 2007, principal redemptions may be made at our election prior to their stated maturity. Discounts from par value are being amortized ratably as increases to interest expense over the term of the related debt.

In October 2004, we issued $325.0 million of 3.5% senior, unsecured notes maturing on October 1, 2007 and $275.0 million of 5.125% senior, unsecured notes maturing on October 1, 2014. The notes were issued via a private placement under Rule 144A of the Securities Act of 1933. These notes were subsequently registered with the Securities and Exchange Commission (SEC) via a registration statement which became effective on November 23, 2004. Interest payments are due each April and October. Proceeds from the offering, net of offering costs, were $595.5 million. These proceeds were used to pay off commercial paper borrowings used for the acquisition of NEBS (see Note 4). The fair market value of these notes was $534.1 million as of December 31, 2005, based on quoted market prices.

In December 2002, we issued $300.0 million of 5.0% senior, unsecured notes maturing on December 15, 2012. These notes were issued under our shelf registration statement covering up to $300.0 million in medium-term notes, thereby exhausting that registration statement. Interest payments are due each June and December. Proceeds from the offering, net of offering costs, were $295.7 million. These proceeds were used for general corporate purposes, including funding share repurchases, capital asset purchases and working capital. The fair value of these notes was $272.6 million as of December 31, 2005, based on quoted market prices.

In September 2003, we issued $50.0 million of 2.75% senior, unsecured notes maturing on September 15, 2006. The notes were issued under a shelf registration statement which became effective on July 8, 2003 and allows for the issuance of debt securities, from time to time, up to an aggregate of $500.0 million. Interest payments are due each March and September. Proceeds from the offering, net of offering costs, were $49.8 million. These proceeds were used for general corporate purposes, including funding share repurchases, capital asset purchases and working capital. The fair value of these notes was $49.2 million as of December 31, 2005, based on quoted market prices.

In November 2003, we issued $25.0 million of variable rate, senior, unsecured notes which matured on November 4, 2005. The notes were issued under the July 8, 2003 shelf registration statement. Interest payments were due each February, May, August and November at an annual interest rate equal to the 3-month London InterBank Offered Rate (LIBOR) plus .05%. This interest rate was reset on a quarterly basis. Proceeds from the offering were $25.0 million. These proceeds were used for general corporate purposes, including funding share repurchases, capital asset purchases and working capital.

Our capital lease obligations bear interest at rates of 7.7% to 10.4% and are due through 2009. We also have operating leases on certain facilities and equipment. Future minimum lease payments under our capital obligations and noncancelable operating leases as of December 31, 2005 were as follows:

(in thousands)	Capital leases	Operating leases
2006	$ 1,935	$ 8,471
2007	2,008	4,614
2008	2,004	2,828
2009	1,503	1,878
2010	—	794
2011 and thereafter	—	69
Total minimum lease payments	7,450	$ 18,654
Less portion representing interest	(1,312)	
Present value of minimum lease payments	6,138	
Less current portion	(1,359)	
Long-term portion of obligations	$ 4,779	

Total future minimum lease payments under capital and noncancelable operating leases have not been reduced by minimum sublease rentals due under noncancelable subleases. As of December 31, 2005, minimum future sub-lease rentals were $7.6 million for capital leases and $0.9 million for operating leases.

The composition of rent expense for continuing operations for the years ended December 31 was as follows:

(in thousands)	2005	2004	2003
Minimum rentals	$ 14,398	$ 14,786	$ 8,832
Sublease rentals	(1,764)	(1,647)	(1,397)
Net rental expense	$ 12,634	$ 13,139	$ 7,435

Depreciation of assets under capital leases is included in depreciation expense in the consolidated statements of cash flows. The balance of leased assets as of December 31 was as follows:

(in thousands)	2005	2004
Buildings and building improvements	$ 11,574	$ 11,574
Machinery and equipment	—	734
Total	11,574	12,308
Accumulated depreciation	(7,817)	(7,100)
Net assets under capital leases	$ 3,757	$ 5,208

As of December 31, 2005, we had a $500.0 million commercial paper program in place. The daily average amount of commercial paper outstanding during 2005 was $247.3 million at a weighted-average interest rate of 3.29%. As of December 31, 2005, $212.3 million was outstanding at a weighted-average interest of 4.41%. The daily average amount of commercial paper outstanding during 2004 was $344.7 million at a weighted-average interest rate of 1.59%. As of December 31, 2004, $264.0 million was outstanding at a weighted-average interest rate of 2.45%.

During 2004, we utilized a bridge financing agreement to initially fund a portion of the NEBS acquisition. The daily average amount outstanding under this bridge financing agreement during 2004 was $62.3 million at a weighted-average interest rate of 2.07%. During the third quarter of 2004, we utilized commercial paper borrowings to pay-off the bridge financing agreement. This agreement was terminated during the fourth quarter of 2004.

We have committed lines of credit which primarily support our commercial paper program. The credit agreements governing the lines of credit contain customary covenants regarding the ratio of earnings before interest and taxes (EBIT) to interest expense and levels of subsidiary indebtedness. No amounts were drawn on these lines of credit during 2005 or during 2004, and no amounts were outstanding under these lines of credit as of December 31, 2005. To the extent not needed to support outstanding commercial paper, we may borrow funds under our committed lines of credit. As of December 31, 2005, $287.7 million was available under our committed lines of credit for borrowing or for support of additional commercial paper, as follows:

(in thousands)	Total available	Expiration date	Commitment fee
Five year line of credit	$ 275,000	July 2010	.090%
Five year line of credit	225,000	July 2009	.125%
Total committed lines of credit	500,000		
Commercial paper outstanding	(212,346)		
Net available for borrowing as of December 31, 2005	$ 287,654		

In January 2006, our long-term credit ratings were downgraded by the rating agencies. As the commitment fees for our lines of credit are tied to our credit ratings, these fees will increase in 2006 to 0.175% for the $275.0 million line and 0.225% for the $225.0 million line.

Our Canadian subsidiary has a $5.0 million (Canadian dollars) committed line of credit available for borrowing. No amounts were drawn on this line of credit during 2005, and no amounts were outstanding under this line as of December 31, 2005.

Absent certain defined events of default under our committed lines of credit, there are no significant contractual restrictions on our ability to pay cash dividends.

Note 14: Other commitments and contingencies

Indemnifications – In the normal course of business we periodically enter into agreements that incorporate general indemnification language. These indemnifications encompass such items as product or service defects, intellectual property rights, governmental regulations and/or employment-related matters. Performance under these indemnities would generally be triggered by our breach of terms of the contract. In disposing of assets or businesses, we often provide representations, warranties and/or indemnities to cover various risks including, for example, unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not have the ability to estimate the potential liability from such indemnities because they relate to unknown conditions. However, we have no reason to believe that these uncertainties would have a material adverse effect on our financial position, annual results of operations or cash flows. We have recorded liabilities for known indemnifications related to environmental matters.

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

Accruals for environmental matters were $5.7 million as of December 31, 2005 and $7.8 million as of December 31, 2004, and primarily related to facilities which have been sold. These accruals are included in accrued liabilities and other long-term liabilities in the consolidated balance sheets. Accrued costs consist of direct costs of the remediation activities, primarily fees which will be paid to outside engineering and consulting firms. Although recorded accruals include our best estimates, our total costs cannot be predicted with certainty due to various factors such as the extent of corrective action that may be required, evolving environmental laws and regulations and advances in environmental technology. Where the available information is sufficient to estimate the amount of the liability, that estimate is used. Where the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range is used. We do not believe that the range of possible outcomes could have a material effect on our financial condition, results of operations or liquidity.

As of December 31, 2005, substantially all costs included in our environmental accruals are covered by an environmental insurance policy which we purchased during 2002. As such, we do not anticipate any significant net cash outlays with regard to environmental matters. The insurance policy covers pre-existing conditions from third-party claims and cost overruns for 30 years at owned, leased and divested sites, as well as any new conditions discovered at currently owned or leased sites for ten years. The policy is limited to total costs incurred of $22.9 million. We consider the realization of recovery under the insurance policy to be probable based on the insurance contract in place with a reputable and financially-sound insurance company. As our environmental accruals include our best estimates of these costs, we have recorded receivables from the insurance company within other current assets and other non-current assets based on the amounts of our environmental accruals.

Self-insurance – We are self-insured for certain costs, primarily workers' compensation claims and medical/dental benefits. The liabilities associated with these items represent our best estimate of the ultimate obligations for reported claims plus those incurred, but not reported. The liability for worker's compensation, which totaled $10.7 million as of December 31, 2005 and $10.8 million as of December 31, 2004, is accounted for on a

present value basis. The difference between the discounted and undiscounted workers' compensation liability was $0.9 million as of December 31, 2005 and $0.8 million as of December 31, 2004. Our liability for medical/dental benefits is not accounted for on a present value basis and totaled $4.3 million as of December 31, 2005 and $3.7 as of December 31, 2004.

Our self-insurance liabilities are estimated, in part, by considering historical claims experience, demographic factors and other actuarial assumptions. The estimated accruals for these liabilities, portions of which are calculated by third party actuarial firms, could be significantly affected if future occurrences and claims differ from these assumptions and historical trends.

Litigation – We are party to legal actions and claims arising in the ordinary course of business. We record accruals for legal matters when the expected outcome of these matters is either known or considered probable and can be reasonably estimated. Our accruals do not include related legal and other costs expected to be incurred in defense of legal actions. Based upon information presently available, we believe that it is unlikely that any identified matters, either individually or in the aggregate, will have a material adverse effect on our annual results of operations, financial position or liquidity.

Note 15: Common stock purchase rights

On February 5, 1988, we declared a distribution to shareholders of record on February 22, 1988, of one common stock purchase right for each outstanding share of common stock. These rights were governed by the terms and conditions of a rights agreement entered into as of February 12, 1988. That agreement was amended and restated as of January 31, 1997 and further amended as of January 21, 2000 (Restated Agreement).

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

Note 16: Shareholders' deficit

We are in a shareholders' deficit position primarily as a result of the required accounting treatment for our share repurchase programs. Share repurchases are reflected as reductions of shareholders' equity in the consolidated balance sheets. Under the laws of Minnesota, our state of incorporation, shares which we repurchase are considered to be authorized and unissued shares. Thus, share repurchases are not presented as a separate treasury stock caption in our consolidated balance sheets, but are recorded as direct reductions of common shares, additional paid-in capital and retained earnings. Share repurchases during the past three years were as follows:

(in thousands)	2005	2004	2003
Dollar amount	$ —	$ 25,520	$ 508,243
Number of shares	—	634	12,239

Accumulated other comprehensive loss as of December 31 was comprised of the following:

(in thousands)	2005	2004	2003
Unrealized loss on derivatives, net of tax	$ (13,721)	$ (16,297)	$ (2,265)
Unrealized gain on securities, net of tax	63	110	—
Translation adjustment	2,434	2,320	—
Total	$ (11,224)	$ (13,867)	$ (2,265)

Note 17: Business segment information

We operate three business segments: Small Business Services, Financial Services and Direct Checks. Our Small Business Services segment consists of the acquired NEBS business (see Note 4), as well as our former Business Services segment. This segment sells checks, forms and related products to small businesses and home offices through direct response marketing, financial institution referrals, sales representatives, independent distributors and the internet. Financial Services sells checks and related products and services to financial institutions. Direct Checks sells checks and related products directly to consumers through direct mail and the internet. All three segments operate primarily in the United States. Small Business Services also has operations in Canada. No single customer accounted for more than 10% of revenue in 2005, 2004 or 2003.

The accounting policies of the segments are the same as those described in Note 1. During 2004 and 2003, corporate expenses were allocated to the segments based on segment revenues. On April 1, 2005, we modified our methodology for allocating corporate costs. Prior to this date, we did not allocate any corporate costs to the NEBS portion of our Small Business Services segment, as NEBS operations were not fully integrated into our corporate functions. On April 1, 2005, NEBS implemented certain of our corporate information systems and began utilizing corporate shared services functions. As such, we began allocating corporate costs to the NEBS portion of the Small Business Services segment for those corporate functions being utilized by the NEBS business. The corporate allocation includes expenses for various support activities such as executive management, finance and human resources and includes depreciation and amortization expense related to corporate assets. The corresponding corporate asset balances are not allocated to the segments. Depreciation and amortization expense related to corporate assets which was allocated to the segments was $14.7 million in 2005, $8.7 million in 2004 and $1.8 million in 2003. Corporate assets consist primarily of internal-use software related to corporate activities, shared facilities, our prepaid post-retirement benefit cost (see Note 12) and deferred tax assets. The increase in corporate assets in 2005, as compared to 2004, was due primarily to the transfer of shared facilities to corporate as we implemented a shared services approach to manufacturing, as well as capital purchases in 2005 related to internal-use software.

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

The following is our segment information as of and for the years ended December 31:

		Reportable business segments				
(in thousands)		Small Business Services	Financial Services	Direct Checks	Corporate	Consolidated
Revenue from external customers:	2005	$ 932,286	$ 537,525	$ 246,483	$ —	$ 1,716,294
	2004	616,345	665,373	285,297	—	1,567,015
	2003	238,625	699,250	304,266	—	1,242,141
Operating income:	2005	105,118	119,677	80,044	—	304,839

	2004	101,910	159,986	86,016	—	347,912
	2003	74,123	146,711	98,087	—	318,921
Depreciation and amortization expense:	2005	72,165	27,708	8,475	—	108,348
	2004	40,303	43,753	9,800	—	93,856
	2003	5,588	46,028	8,466	—	60,082
Total assets:	2005	894,774	181,579	126,582	222,940	1,425,875
	2004	995,460	224,637	135,739	143,243	1,499,079
	2003	33,513	273,098	147,308	109,041	562,960
Capital purchases:	2005	13,082	8,046	1,089	33,436	55,653
	2004	2,914	7,923	2,689	30,291	43,817
	2003	1,749	10,697	3,323	6,265	22,034

Revenue by product was as follows:

(in thousands)	2005	2004	2003
Checks and related services	$ 1,123,255	$ 1,187,178	$ 1,108,880
Other printed products, including forms	296,075	122,305	21,276
Accessories and promotional products	230,249	220,255	111,985
Packaging supplies and other	66,715	37,277	—
Total revenue	$ 1,716,294	$ 1,567,015	$ 1,242,141

We had no international operations in 2003. The following information is classified based on the geographic location of our subsidiaries:

(in thousands)	2005	2004
Revenue from external customers:		
United States	$ 1,656,633	$ 1,536,717
Canada	59,661	30,298
Total revenue	$ 1,716,294	$ 1,567,015
Long-lived assets:		
United States	$ 1,195,112	$ 1,239,471
Foreign, primarily Canada	16,825	19,222
Total long-lived assets	$ 1,211,937	$ 1,258,693

DELUXE CORPORATION

SUMMARIZED QUARTERLY FINANCIAL DATA (UNAUDITED)
(in thousands, except per share amounts)

	2005 Quarter Ended			
	March 31	June 30(1)	September 30	December 31
Revenue	$ 437,320	$ 434,476	$ 412,501	$ 431,997
Gross profit	285,249	283,703	263,253	275,728
Net income	39,372	42,056	37,134	38,959
Earnings per share:				
Basic	0.78	0.83	0.73	0.77
Diluted	0.78	0.83	0.73	0.76
Cash dividends per share	0.40	0.40	0.40	0.40

	2004 Quarter Ended			
	March 31	June 30	September 30(2)	December 31
Revenue	$ 308,832	$ 309,068	$ 472,199	$ 476,916

Gross profit	201,946	206,444	310,436	312,240
Net income	47,662	45,988	57,505	46,836
Earnings per share:				
Basic	0.95	0.92	1.15	0.93
Diluted	0.94	0.91	1.14	0.92
Cash dividends per share	0.37	0.37	0.37	0.37

(1) 2005 second quarter results include revenue of $11.7 million from contract buy-outs.

(2) 2004 third quarter results include revenue of $7.7 million from a contract buy-out, as well as a reduction in cost of goods sold of $2.2 million related to a change from the last-in, first-out method to the first-in, first-out method of accounting for a portion of our inventories.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

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

Management's Report on Internal Control over Financial Reporting – Management of Deluxe Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial

reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2005. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on this assessment we have concluded that, as of December 31, 2005, our internal control over financial reporting was effective based on those criteria.

Management's assessment of the effectiveness of internal controls over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Item 9B. Other Information.

No change in our internal control over financial reporting identified in connection with our assessment during the quarter ended December 31, 2005, has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

Except where otherwise noted, the information required by Items 10 through 14 is incorporated by reference from our definitive proxy statement, to be filed with the Securities and Exchange Commission within 120 days of our fiscal year-end, with the exception of the executive officers section of Item 10, which is included in Part I, Item 1 of this report.

Item 10. Directors and Executive Officers of the Registrant.

See Part I, Item 1 of this report "Executive Officers of the Registrant." The sections of the proxy statement entitled "Item 1: Election of Directors," "Board Structure and Governance—Audit Committee Expertise; Complaint-Handling Procedures," "Board Structure and Governance—Meetings and Committees of the Board of Directors—Audit Committee," "Stock Ownership and Reporting—Section 16(a) Beneficial Ownership Reporting Compliance" and "Board Structure and Governance—Code of Ethics and Business Conduct" are incorporated by reference to this report.

The full text of our Code of Ethics and Business Conduct (Code of Ethics) is posted on the Investor Relations page of our website at www.deluxe.com under the "Corporate Governance" caption. We intend to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or waiver from, a provision of the Code of Ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions by posting such information on our website at the address and location specified above.

Item 11. Executive Compensation.

The sections of the proxy statement entitled "Compensation of Executive Officers—Summary Compensation Table," "Compensation of Executive Officers—Stock Options," "Compensation of Executive Officers—Long-Term Incentive Awards," "Board Structure and Governance—Director Compensation" and "Compensation of Executive Officers—Retention Agreements, Severance Agreements and Change of Control Arrangements" are incorporated by reference to this report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The section of the proxy statement entitled "Stock Ownership and Reporting—Security Ownership of Certain Beneficial Owners and Management" is incorporated by reference to this report.

The following table provides information concerning all of our equity compensation plans as of December 31, 2005:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by shareholders	3,086,486[(1)]	$ 36.89[(1)]	9,061,719[(2)]
Equity compensation plans not approved by shareholders	None	None	None
Total	3,086,486	$ 36.89	9,061,719

(1) Includes awards granted under our 2000 Stock Incentive Plan, as amended, and our previous stock incentive plan, adopted in 1994. The number of securities to be issued upon exercise of outstanding options, warrants and rights includes outstanding stock options of 2,960,385 and restricted stock unit awards of 126,101.

(2) Includes 4,628,077 shares reserved for issuance under our Amended and Restated 2000 Employee Stock Purchase Plan. Of the total available for future issuance, 3,086,290 shares remain available, in the aggregate, for grants of restricted stock, restricted stock units and performance awards under our 2000 Stock Incentive Plan.

Item 13. Certain Relationships and Related Transactions.

Not applicable.

Item 14. Principal Accounting Fees and Services.

The sections of the proxy statement entitled "Fiscal Year 2005 Audit and Independent Accountants—Fees Paid to Independent Accountants" and "Fiscal Year 2005 Audit and Independent Accountants—Policy on Audit Committee Pre-Approval of Independent Accountant Fees and Services" are incorporated by reference to this report.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Financial Statements and Schedules

The financial statements are set forth under Item 8 of this Annual Report on Form 10-K. Financial statement schedules have been omitted since they are either not required or not applicable, or the required information is shown in the consolidated financial statements or notes.

(b) Exhibit Listing

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

Exhibit Number	Description	Method of Filing
1.1	Purchase Agreement, dated September 28, 2004, by and among us and J.P. Morgan Securities Inc. and Wachovia Capital Markets, LLC, as representatives of the several initial purchasers listed in Schedule 1 of the Purchase Agreement (incorporated by reference to Exhibit 1.1 to the Current Report on Form 8-K filed with the Commission on October 4, 2004)	*
2.1	Agreement and Plan of Merger, dated as of May 17, 2004, by and among us, Hudson Acquisition Corporation and New England Business Service, Inc. (incorporated by reference to Exhibit (d)(1) to the Deluxe Corporation Schedule TO-T filed with the Commission on May 25, 2004)	*
3.1	Articles of Incorporation (incorporated by reference to the 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 Quarterly Report on Form 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 us 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 Amendment No. 1 on Form 8-A/A-1 (File No. 001-07945) filed with the Commission on February 7, 1997)	*
4.2	Amendment No. 1 to Amended and Restated Rights Agreement, entered into as of January 21, 2000, between us and Norwest Bank Minnesota, National Association as Rights Agent (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2000)	*
4.3	First Supplemental Indenture dated as of December 4, 2002, by and between us and Wells Fargo Bank Minnesota, N.A. (formerly, Norwest Bank Minnesota, National Association), as trustee (incorporated by reference to Exhibit 4.1 to the Form 8-K filed with the Commission on December 5, 2002)	*

Exhibit Number	Description	Method of Filing
4.4	Indenture, dated as of April 30, 2003, by and between us and Wells Fargo Bank Minnesota, N.A. (formerly Norwest Bank Minnesota, National Association), as trustee (incorporated by reference to Exhibit 4.8 to the Registration Statement on Form S-3 (Registration No. 333-104858) filed with the Commission on April 30, 2003)	*
4.5	Form of Officer's Certificate and Company Order authorizing the 2007 Notes, series B (incorporated by reference to Exhibit 4.7 to the Registration Statement on Form S-4 (Registration No. 333-120381) filed with the Commission on November 12, 2004)	*
4.6	Specimen of 3½% senior notes due 2007, series B (incorporated by reference to Exhibit 4.8 to the Registration Statement on Form S-4 (Registration No. 333-120381) filed with the Commission on November 12, 2004)	*
4.7	Form of Officer's Certificate and Company Order authorizing the 2014 Notes, series B (incorporated by reference to Exhibit 4.9 to the Registration Statement on Form S-4 (Registration No. 333-120381) filed with the Commission on November 12, 2004)	*
4.8	Specimen of 5 1/8% notes due 2014, series B (incorporated by reference to Exhibit 4.10 to the Registration Statement on Form S-4 (Registration No. 333-120381) filed with the Commission on November 12, 2004)	*
4.9	Revolving Credit Agreement dated as of July 22, 2004 among us, Bank One, N.A. as administrative agent, Credit Suisse-First Boston as Syndication Agent, The Bank of New York, the Bank of Tokyo-Mitsubishi, Ltd., and Wachovia Bank, National Association as documentation agents and the other financial institutions party thereto, related to a $225,000,000 5-year revolving credit agreement (incorporated by reference to Exhibit 4.9 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2004)	*
4.10	Amendment No. 1 dated as of July 20, 2005 to the $225,000,000 5-year revolving credit agreement dated as of July 22, 2004	Filed herewith
4.11	Amended and Restated Credit Agreement dated as of July 20, 2005 among us, JPMorgan Chase Bank, N.A., as administrative agent, Wachovia Bank, National Association as syndication agent, the Bank of Tokyo-Mitsubishi, Ltd. and U.S. Bank National Association as documentation agents and the other financial institutions party thereto, related to a $275,000,000 5-year revolving credit agreement	Filed herewith
10.1	Deluxe Corporation 2004 Annual Incentive Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2004)**	*
10.2	Deluxe Corporation 2000 Stock Incentive Plan, as Amended (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2002)**	*
10.3	Amended and Restated 2000 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K for the year ended December 31, 2001)**	*

10.4	Deluxe Corporation Deferred Compensation Plan (2001 Restatement) (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2001)**	*
10.5	First Amendment of the Deluxe Corporation Deferred Compensation Plan (2001 Restatement) (incorporated by reference to Exhibit 4.3 to the Form S-8 filed January 7, 2002)**	*
10.6	Second Amendment of the Deluxe Corporation Deferred Compensation Plan (2001 Restatement) (incorporated by reference to Exhibit 10.19 to the Annual Report on Form 10-K for the year ended December 31, 2002)**	*
10.7	Third Amendment of the Deluxe Corporation Deferred Compensation Plan (2001 Restatement)**	Filed herewith
10.8	Deluxe Corporation Deferred Compensation Plan Trust (incorporated by reference to Exhibit 4.3 to the Form S-8 filed January 7, 2002)**	*
10.9	Deluxe Corporation Executive Deferred Compensation Plan for Employee Retention and Other Eligible Arrangements (incorporated by reference to Exhibit 10.24 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2000)**	*
10.10	Deluxe Corporation Supplemental Benefit Plan (incorporated by reference to Exhibit (10)(B) to the Annual Report on Form 10-K for the year ended December 31, 1995)**	*
10.11	First Amendment to the Deluxe Corporation Supplemental Benefit Plan (2001 Restatement) (incorporated by reference to Exhibit 10.19 to the Annual Report on Form 10-K for the year ended December 31, 2001)**	*
10.12	Description of modification to the Deluxe Corporation Non-Employee Director Retirement and Deferred Compensation Plan (incorporated by reference to Exhibit 10.10 to the Annual Report on Form 10-K for the year ended December 31, 1997)**	*
10.13	Description of Non-employee Director Compensation Arrangements, updated November 17, 2005**	Filed herewith
10.14	Form of Severance Agreement entered into between Deluxe and the following executive officers: Anthony C. Scarfone, Richard L. Schulte, Douglas J. Treff, Guy C. Feltz, Luann Widener and Terry Peterson (incorporated by reference to Exhibit 10.17 to the Annual Report on Form 10-K for the year ended December 31, 2000)**	*
10.15	Form of Executive Retention Agreement entered into between Deluxe and the following executive officers: Ronald E. Eilers, Anthony C. Scarfone, Richard L. Schulte, Douglas J. Treff, Guy C. Feltz and Luann Widener (incorporated by reference to Exhibit 10.19 to the Annual Report on Form 10-K for the year ended December 31, 2000)**	*
10.16	Form of Agreement for Awards Payable in Restricted Stock Units (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Commission on January 28, 2005)**	*

10.17	Form of Non-employee Director Non-qualified Stock Option Agreement (incorporated by reference to Exhibit 10.19 to the Annual Report on Form 10-K for the year ended December 31, 2004)**	*
10.18	Form of Non-employee Director Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K for the year ended December 31, 2004)**	*
10.19	Form of Non-qualified Stock Option Agreement (as amended February 2006) (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Commission on February 21, 2006)**	*
10.20	Form of Non-qualified Stock Option Agreement (incorporated by reference to Exhibit 10.21 to the Annual Report on Form 10-K for the year ended December 31, 2004)**	*
10.21	Form of Performance Award Agreement (incorporated by reference to Exhibit 10.22 to the Annual Report on Form 10-K for the year ended December 31, 2004)**	*
10.22	Form of Restricted Stock Award Agreement (Two-Year Retention Term) (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the Commission on February 21, 2006)**	*
10.23	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.23 to the Annual Report on Form 10-K for the year ended December 31, 2004)**	*
10.24	Transition Agreement, dated as of March 7, 2005, by and between us and Lawrence J. Mosner (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Commission on March 10, 2005)**	*
10.25	Form of Performance Accelerated Restricted Stock Award Agreement (2006 grants) (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Commission on February 21, 2006)**	*

10.26	Transition Agreement, dated as of November 17, 2005, by and between us and Ronald E. Eilers (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Commission on November 21, 2005)**	*
12.1	Statement re: Computation of Ratios	Filed herewith
21.1	Subsidiaries of the Registrant	Filed herewith
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith

24.1	Power of Attorney	Filed herewith
31.1	CEO Certification of Periodic Report pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	CFO Certification of Periodic Report pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	CEO and CFO Certification of Periodic Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith

*Incorporated by reference

**Denotes compensatory plan or management contract

Note to recipients of Form 10-K: Copies of exhibits will be furnished upon written request and payment of reasonable expenses in furnishing such copies.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DELUXE CORPORATION

Date: March 1, 2006

By: /s/ Ronald E. Eilers

Ronald E. Eilers
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 1, 2006.

Signature	**Title**
By /s/ Ronald E. Eilers Ronald E. Eilers	President and Chief Executive Officer (Principal Executive Officer)
By /s/ Douglas J. Treff Douglas J. Treff	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
By /s/ Terry D. Peterson Terry D. Peterson	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)
* T. Michael Glenn	Director
* Charles A. Haggerty	Director
* Isaiah Harris, Jr.	Director
* William A. Hawkins, III	Director
* Cheryl Mayberry McKissack	Director
* Stephen P. Nachtsheim	Director

* Mary Ann O’Dwyer	Director
* Martyn R. Redgrave	Director

*By /s/ Ronald E. Eilers

Ronald E. Eilers
Attorney-in-Fact

EXHIBIT INDEX

The following exhibits are filed as part of this report:

Exhibit Number	Description	Page Number
4.10	Amendment No. 1 dated as of July 20, 2005 to the $225,000,000 5-year revolving credit agreement dated as of July 22, 2004	
4.11	Amended and Restated Credit Agreement dated as of July 20, 2005 among us, JPMorgan Chase Bank, N.A., as administrative agent, Wachovia Bank, National Association as syndication agent, the Bank of Tokyo-Mitsubishi, Ltd. and U.S. Bank National Association as documentation agents and the other financial institutions party thereto, related to a $275,000,000 5-year revolving credit agreement	
10.7	Third Amendment to the Deluxe Corporation Deferred Compensation Plan (2001 Restatement)	
10.13	Description of Non-employee Director Compensation Arrangements, updated November 17, 2005	
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Exhibit 4.10

AMENDMENT NO. 1

to

CREDIT AGREEMENT

THIS AMENDMENT NO. 1 TO CREDIT AGREEMENT (the “Amendment”) is made as of July 20, 2005 (the “Effective Date”), by and among DELUXE CORPORATION (the “Borrower”), the Lenders (as defined below) listed on the signature pages hereof and JPMORGAN CHASE BANK, N.A. (successor by merger with Bank One, NA), in its capacity as administrative agent (the “Administrative Agent”), and as an LC Issuer under that certain 5-Year Revolving Credit Agreement dated as of July 22, 2004 by and among the Borrower, the financial institutions from time to time party thereto (the “Lenders”), CREDIT SUISSE FIRST BOSTON, as Syndication Agent, THE BANK OF NEW YORK, THE BANK OF TOKYO MITSUBISHI, LTD., AND WACHOVIA BANK, NATIONAL ASSOCIATION, as Documentation Agents, and the Administrative Agent (as amended, restated, supplemented or otherwise modified as of the date hereof, the “Credit Agreement”). Defined terms used herein and not otherwise defined herein shall have the meaning given to them in the Credit Agreement.

WITNESSETH

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to the Credit Agreement; and

WHEREAS, the Borrower has requested that the Lenders and the Administrative Agent amend the Credit Agreement on the terms and conditions set forth herein;

WHEREAS, the Borrower, the Administrative Agent and the Lenders have agreed to amend the Credit Agreement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto have agreed to the following amendments to the Credit Agreement:

1. Amendments to the Credit Agreement. Effective as of the Effective Date and subject to the satisfaction of the conditions precedent set forth in Section 2 below, the Credit Agreement is hereby amended as follows:

1.1. The Credit Agreement is hereby amended to delete each reference contained therein to the words “*Bank One*” and to substitute therefor: “*JPMorgan*”.

1.2. The following definitions now appearing in Section 1.1 of the Credit Agreement are deleted in their entirety:

(a) *Applicable Utilization Fee Rate*

(b) *Bank One*

(c) *Combined Commitment*

(d) *Combined Utilized Amount*

(e) *Existing Credit Agreements*

(f) *Existing 5-Year Credit Agreement*

(g) *Utilization Fee*

1.3. The following definitions are added to Section 1.1 of the Credit Agreement in the appropriate alphabetical order:

(a) *“Applicable Utilization Margin” means, at any time, the percentage rate per annum at which utilization margins (as provided in Section 2.12) are accruing on the Aggregate Outstanding Credit Exposure at such time as set forth in the Pricing Grid on Annex I.*

(b) *“JPMorgan” means JPMorgan Chase Bank, N.A., a national banking association, in its individual capacity, and its successors.*

(c) *“2005 5-Year Credit Agreement” means that certain Amended and Restated 5-Year Revolving Credit Agreement, dated as of July 20, 2005, by and among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, as amended, supplemented or otherwise modified.*

1.4. The definition of “Loan Documents” now appearing in Section 1.1 of the Credit Agreement is hereby amended to delete therefrom the words, “*the Guaranty,*”.

1.5. The definition of “Material Adverse Effect” now appearing in Section 1.1 of the Credit Agreement is hereby amended to delete therefrom the words, “*the Guaranty,*”.

1.6. The definition of “Material Subsidiary” now appearing in Section 1.1 of the Credit Agreement is hereby amended to delete therefrom the words, “*(a) NEBS, and (b)*".

1.7. Section 1.03(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(a) Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP, as in effect from time to time; *provided* *that, if the Company notifies the Agent that the Company requests an amendment to any provision hereof to eliminate the effect of*

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any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Agent notifies the Company that the Majority Banks request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

1.8. Section 2.01 of the Credit Agreement is hereby amended by deleting therefrom the words, "*or extended under Section 2.09*".

1.9. Section 2.05 of the Credit Agreement is hereby amended to delete therefrom the words "*combined Commitments*" and to substitute therefor: "*aggregate Commitments*".

1.10. The first sentence of Section 2.07(b) of the Credit Agreement is hereby and restated in its entirety as follows:

At any time prior to the Revolving Termination Date the Company may, on the terms set forth below, request that the Commitments hereunder be increased by an aggregate amount up to $25,000,000; provided, however, that (i) an increase in the Commitments hereunder may only be made at a time when no Default or Unmatured Default shall have occurred and be continuing and (ii) in no event shall the aggregate Commitments hereunder exceed $250,000,000 in the aggregate.

1.11. The third sentence of Section 2.07(b) of the Credit Agreement is hereby amended to insert the phrase *", the LC Issuers*" immediately after the word "*Agent*" and before the words "*and each Bank*" contained therein.

1.12. Section 2.12(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

Utilization Margin. For each day from and after the date hereof to but not including the Revolving Termination Date on which the Aggregate Outstanding Credit Exposure exceeds fifty percent (50%) of the aggregate Commitments (or if all of the Commitments shall have been terminated, the aggregate Commitments in effect immediately prior to such termination), the interest rate otherwise applicable to the Loans and the LC Fee, respectively, shall be increased at a rate per annum equal to the Applicable Utilization Margin in effect from time to time. Such Applicable Utilization Margin shall (i) be computed on a quarterly basis in arrears on the last Business Day of each calendar quarter, (ii) accrue for all such days from the Closing Date to the date on which this Agreement is terminated and all of the Obligations hereunder have been paid in full, and (iii) be payable in arrears on the last Business Day of each such quarter commencing on the last Business Day of the fiscal quarter following the Closing Date through the date on

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which this Agreement is terminated and all of the Obligations hereunder have been paid in full, with the final payment, if applicable, to be made on the date on which this Agreement is terminated and all of the Obligations hereunder have been paid in full.

1.13. Section 2.13(c) of the Credit Agreement is hereby amended to delete the second sentence thereof in its entirety and to substitute therefor:

Any change in the interest rate payable on the Offshore Rate Committed Loans (including, without limitation, the Applicable Utilization Margin) or in the Facility Fees payable under Section 2.12 resulting from a change in the Company's senior unsecured long-term debt ratings shall become effective and shall apply to any such Loans then outstanding or to such fees as of the opening of business on the day on which such change in the Company's debt ratings becomes effective.

1.14. The last sentence of Section 2.17(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

No Facility LC shall have an expiry date later than the earlier of (x) (other than as described in the proviso below) the fifth Business Day prior to the Revolving Termination Date and (y) one year after its issuance; provided however that on or before the 10th Business Day prior to the Revolving Termination Date, the Company shall deposit into the Facility LC Collateral Account cash collateral for the account of the applicable LC Issuer in an amount equal to 105% of the aggregate outstanding LC Obligations in respect of the Facility LCs issued by such LC Issuer with an expiry date on or after the fifth Business Day prior the Revolving Termination Date.

1.15. Section 2.17(k) is hereby amended to delete the last sentence thereof in its entirety and to substitute therefor

Nothing in this Section 2.17(k) shall either obligate the Company, or the Agent to require the Company, to deposit any funds in the Facility LC Collateral Account or limit the right of the Agent to release any funds held in the Facility LC Collateral Account in each case other than as required by Sections 2.17(a) or 8.02.

1.16. Section 3.04(d) of the Credit Agreement is hereby amended to delete the words "*Sections 2.08 or 2.09*" therefrom and to substitute therefor the words, "*Section 2.08*".

1.17. Section 5.01(b) of the Credit Agreement is hereby amended to delete therefrom the words "*and each Guarantor*".

1.18. Section 5.01(c) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(c) is duly qualified as a foreign corporation and is licensed and in good standing under the laws of each jurisdiction except where the failure to so qualify or to be so licensed or in good standing (i) would not preclude it from enforcing its rights with respect to any of its assets or expose it to any liability and (ii) could not reasonably be expected to have a Material Adverse Effect; and

1.19. Section 6.01(a) of the Credit Agreement is hereby amended to delete the last sentence thereof in its entirety and to substitute therefor the following:

Such opinion shall not include any "going concern" or like qualification or exception, or any qualification or limitation because of a restricted or limited examination by the Independent Auditor of any material portion of the Company's or any Subsidiary's records; and

1.20. Section 6.13 of the Credit Agreement is hereby deleted in its entirety.

1.21. Section 7.01(b) of the Credit Agreement is hereby amended to delete therefrom the words "*Existing Credit Agreements*" and to substitute therefor the words "*2005 5-Year Credit Agreement*".

1.22. Section 7.03 (b) and (c) of the Credit Agreement are hereby amended and restated in their entirety as follows:

(b) any Subsidiary may merge with the Company, provided that the Company shall be the continuing or surviving corporation, or with any one or more Subsidiaries, provided that if any transaction shall be between a Subsidiary and a Wholly-Owned Subsidiary, the Wholly-Owned Subsidiary shall be the continuing or surviving corporation; and

(c) the Company or any Subsidiary may convey, transfer, lease or otherwise dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise), to the Company or one or more Wholly-Owned Subsidiaries, as the case may be.

1.23. Section 8.01(c) of the Credit Agreement is hereby amended to delete therefrom the occurrence of the number "*6.13,*".

1.24. Section 8.01(e) of the Credit Agreement is hereby amended to delete therefrom the words "*Existing Credit Agreements*" and to substitute therefor the words "*2005 5-Year Credit Agreement*".

1.25. Section 8.01(e) of the Credit Agreement is hereby further amended to amend and restate the proviso contained therein in its entirety as follows:

"provided, that, with respect to any such breach occurring as a result of a change of control under any agreement or instrument evidencing such Indebtedness of a Subsidiary of more than $100,000,000 upon the acquisition of such Subsidiary, such breach shall cause an Event of Default hereunder only if

such breach has not been cured or waived (or the Indebtedness related thereto prepaid in full and the related agreements and instruments shall be terminated) within three Business Days after the occurrence thereof; or (ii) if there shall occur any other default or event of default, however denominated, under any cross default provision under any agreement or instrument relating to any such Indebtedness of more than $100,000,000"

1.26. Section 8.01(l) of the Credit Agreement is hereby deleted in its entirety.

1.27. Sections 10.01 (b) and (c) of the Credit Agreement are hereby amended and restated in their entirety as follows:

(b) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest (including, without limitation, the Applicable Utilization Margin), Facility Fees, Reimbursement Obligations, LC Fees or other material amounts due to the Banks (or any of them) or the LC Issuers (or any of them) hereunder or under any other Loan Document;

(c) reduce the principal of, or the rate of interest (including, without limitation, the Applicable Utilization Margin) specified herein on any Loan, Reimbursement Obligations or (subject to clause (ii) below) any Facility Fees, LC Fees or other amounts payable hereunder or under any other Loan Document;

1.28. Section 10.01 is hereby further amended to (1) add the word "*or*" at the end of clause (d) thereof, (2) delete the word "*or*" from the end of clause (e) thereof, (3) delete clause (f) thereof in its entirety, (4) replace the second occurrence of "*(ii)*" in the proviso thereof with "*(iii)*" and (5) replace the occurrence of "*(iii)*" in the proviso thereof with "*(iv)*".

1.29. Section 10.05 of the Credit Agreement is hereby amended to replace the word "*Borrower*" contained therein with the word "*Company*".

1.30. The first parenthetical in Section 10.08(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(provided that (i) no written consent of the Company or the Agent shall be required in connection with any assignment and delegation by a Bank to an Eligible Assignee that is an Affiliate of such Bank, and (ii) the written consent of the LC Issuers shall be required for each assignment and delegation)

1.31. Annex I (Pricing Grid) attached to the Credit Agreement is hereby amended to replace each occurrence of the words "*Applicable Utilization Fee Rate*" contained therein with "*Applicable Utilization Margin*".

1.32. The Schedules to the Credit Agreement are hereby amended to add "Schedule 5.15" entitled "Copyrights, Patents, Trademarks and Licenses" with the word "None" appearing as the only text of such schedule.

1.33. Exhibit A to the Credit Agreement is hereby amended by deleting Schedule 1 attached thereto in its entirety and substituting therefor the Schedule 1 attached to this Amendment.

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the conditions precedent that the Administrative Agent shall have received:

(a) duly executed copies of this Amendment from the Borrower and each of the Lenders; and

(b) such other documents, instruments and agreements as the Administrative Agent shall reasonably request.

3. Representations and Warranties and Reaffirmations of the Borrower.

3.1. The Borrower hereby represents and warrants that (i) this Amendment and the Credit Agreement as previously executed and as modified hereby constitute legal, valid and binding obligations of the Borrower and are enforceable against the Borrower in accordance with their terms, and (ii) no Default or Event of Default has occurred and is continuing.

3.2. Upon the effectiveness of this Amendment and after giving effect hereto, the Borrower hereby reaffirms all covenants, representations and warranties, in all material respects, made by it in the Credit Agreement as modified hereby, and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the Effective Date, except that any such covenant, representation, or warranty that was made as of a specific date shall be considered reaffirmed only as of such date.

4. Reference to the Effect on the Credit Agreement.

4.1. Upon the effectiveness of this Amendment, on and after the date hereof, each reference in the Credit Agreement (including any reference therein to "this Agreement," "hereunder," "hereof," "herein" or words of like import referring thereto) or in any other Loan Document shall mean and be a reference to the Credit Agreement as modified hereby.

4.2. Except as specifically modified above, the Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed.

4.3. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

5. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK; PROVIDED THAT THE ADMINISTRATIVE AGENT, THE LENDERS AND THE LC ISSUERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

8. Release of NEBS. Concurrently with the effectiveness of this Amendment, (i) the guarantees granted by NEBS (including the Guaranty dated as of July 22, 2004, made by NEBS in favor of the Administrative Agent) pursuant to the Loan Documents (for purposes of this Section 8, Loan Documents shall have the meaning given thereto in the Credit Agreement as in effect on July 22, 2004 and in that certain 364-Day Revolving Credit Agreement dated as of July 22, 2004, among the Borrower, the financial institutions party thereto as "Banks" and JPMorgan Chase Bank, N.A. (successor by merger to Bank One, NA), as administrative agent, and without giving effect to any subsequent amendments or other modifications thereof) shall be deemed to have been automatically released and terminated, all without any further action being required to effectuate the foregoing, and (ii) the Loan Documents executed by NEBS shall terminate with respect to NEBS, all without any further action being required to effectuate the foregoing. The Lenders hereby irrevocably authorize the Administrative Agent, at its option and in its sole discretion, to take any action it determines required in order to effectuate the foregoing.

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IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

DELUXE CORPORATION

By: /s/ Raj K. Agrawal

Name: Raj K. Agrawal
Title: Vice President and Treasurer

JPMORGAN CHASE BANK, N.A. (successor by merger with Bank One, NA),
individually, as Agent and as an LC Issuer

By: /s/ Sabir A. Hashmy

Name: Sabir A. Hashmy
Title: Vice-President

CREDIT SUISSE FIRST BOSTON, ACTING THROUGH ITS CAYMAN ISLANDS BRANCH, individually and as Syndication Agent

By: /s/ Bill O'Daly

Name: Bill O'Daly
Title: Director

By: /s/ Cassandra Droogan

Name: Cassandra Droogan
Title: Associate

THE BANK OF NEW YORK,
individually and as a Co-Documentation Agent

By: /s/ Walter C. Parelli

Name: Walter C. Parelli
Title: Vice President

THE BANK OF TOKYO-MITSUBISHI, LTD., CHICAGO BRANCH, individually and as a Co-Documentation Agent

By: /s/ Tsuguyuki Umene

Name: Tsuguyuki Umene
Title: Deputy General Manager

SIGNATURE PAGE TO AMENDMENT NO. 1

WACHOVIA BANK, NATIONAL ASSOCIATION,
individually and as a Co-Documentation Agent

By: /s/ Andy L. Welicky

Name: Andy L. Welicky
Title: Assistant Vice President

SIGNATURE PAGE TO AMENDMENT NO. 1

THE NORTHERN TRUST COMPANY

By: /s/ Melissa A. Whitson

Name: Melissa A. Whitson
Title: Senior Vice President

SIGNATURE PAGE TO AMENDMENT NO. 1

NATIONAL CITY BANK

By: /s/ Jon R. Hinard

Name: Jon R. Hinard
Title: Senior Vice President

SIGNATURE PAGE TO AMENDMENT NO. 1

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Patrick McCue

Name: Patrick McCue
Title: Vice President

By: /s/ Allison Gelfman

Name: Allison Gelfman
Title: Vice President

SIGNATURE PAGE TO AMENDMENT NO. 1

BNP PARIBAS

By: /s/ Curt Price

Name: Curt Price
Title: Managing Director

By: /s/ Gaye Plunkett

Name: Gaye Plunkett
Title: Vice President

FIFTH THIRD BANK

By: /s/ Ann-Drea Burns

Name: Ann-Drea Burns
Title: AVP

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Christopher W. Rupp

Name: Christopher W. Rupp
Title: Vice President

SCHEDULE 1
to the Compliance Certificate

Dated _______________ / For the fiscal quarter ended ___________.

	Actual	Required/Permitted
I. Section 7.10 – Interest Coverage		
(a) EBIT		
(i) consolidated net income	___________	

(ii) interest expense	+__________	
(iii) taxes	+__________	
(iv) extraordinary losses	+__________	
(v) extraordinary gains	-__________	
(vi) Earnings Before Interest and Taxes	=__________	
(b) Interest Expense	___________	
(c) Ratio of (a)(vi) Earnings Before Interest and Taxes to (b) Interest Expense under Section 7.10	_____ to 1.00	Not less than 3.00 to 1.00 (measured as of the last day of any fiscal quarter)

II. Section 7.11 – Subsidiary Indebtedness

Aggregate Indebtedness of Company's consolidated Subsidiaries	___________	Not greater than $50,000,000 (measured as of the last day of any fiscal quarter)

Exhibit 4.11

AMENDED AND RESTATED
5-YEAR REVOLVING CREDIT AGREEMENT

Dated as of July 20, 2005

among

DELUXE CORPORATION,

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent,

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Syndication Agent,

THE BANK OF TOKYO-MITSUBISHI, LTD. and
U.S. BANK NATIONAL ASSOCIATION,
as Documentation Agents

and

THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO

arranged by

J.P. MORGAN SECURITIES INC. and
WACHOVIA BANK, NATIONAL ASSOCIATION,
as Co-Lead Arrangers and Joint Book Runners

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Exhibit H	Form of Opinion of Anthony C. Scarfone, General Counsel to the Company
Exhibit I	Form of Assignment and Acceptance

AMENDED AND RESTATED 5-YEAR REVOLVING CREDIT AGREEMENT

This AMENDED AND RESTATED 5-YEAR REVOLVING CREDIT AGREEMENT is entered into as of July 20, 2005, among DELUXE CORPORATION, a Minnesota corporation (the "Company"), the several financial institutions from time to time party to this Agreement (collectively, the "Banks"; individually, a "Bank"), and JPMORGAN CHASE BANK, N.A. (successor by merger with Bank One, NA), as administrative agent (in such capacity, the "Agent") for the Banks and as an LC Issuer to amend and restate (a) that certain 364-Day Revolving Credit Agreement entered into as of July 22, 2004 among the Company, the institutions parties thereto as "Banks", and the Agent (as amended or otherwise modified as of the date hereof, the "2004 364-Day Credit Agreement"), and (b) that certain 5-Year Revolving Credit Agreement, dated as of August 19, 2002, by and among the Company, the lenders party thereto and the Agent (as amended or otherwise modified as of the date hereof, the "2002 5-Year Credit Agreement", and together with the 2004 364-Day Credit Agreement, the "Existing Credit Agreements") and from and after the Closing Date, the Existing Credit Agreements are hereby amended and restated in their entirety as provided herein.

WHEREAS, the Banks have agreed to make available to the Company a revolving credit facility upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

ARTICLE I

DEFINITIONS

1.01 Certain Defined Terms. The following terms have the following meanings:

"Absolute Rate" has the meaning specified in subsection 2.06(c).

"Absolute Rate Auction" means a solicitation of Competitive Bids setting forth Absolute Rates pursuant to Section 2.06.

"Absolute Rate Bid Loan" means a Bid Loan that bears interest at a rate determined with reference to the Absolute Rate.

"Acquisition" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any material part of the business and operations or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests or equity of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary) provided that the Company or a Subsidiary is the surviving entity.

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person

shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract, or otherwise.

"Agent" means JPMorgan in its capacity as administrative agent for the Banks hereunder, and any successor agent arising under Section 9.09.

"Agent-Related Persons" means JPMorgan in its capacity as Agent and any successor agent arising under Section 9.09, together with their respective Affiliates (including, in the case of JPMorgan, J.P. Morgan Securities Inc.), the Syndication Agent and the Documentation Agents, together with their respective Affiliates, and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Agent's Payment Office" means the address for payments set forth on Schedule 10.02 hereto in relation to the Agent, or such other address as the Agent may from time to time specify.

"Aggregate Outstanding Credit Exposure" means, at any time, the aggregate of the Outstanding Credit Exposure of all the Banks.

"Agreement" means this Amended and Restated 5-Year Revolving Credit Agreement.

"Applicable Facility Fee Rate" means, at any time, the percentage rate per annum at which the Facility Fee (as defined in Section 2.12) accrues at such time as set forth in the pricing grid on Annex I.

"Applicable Margin" means (i) with respect to Base Rate Committed Loans, the amount set forth below the indicated Level Status opposite the heading "Base Rate Applicable Margin", (ii) with respect to Offshore Rate Committed Loans, the amount set forth below the indicated Level Status opposite the heading "LIBO Rate Applicable Margin", and (iii) with respect to Facility LCs, the amount set forth below the indicated Level Status opposite the heading "Commercial LC Fee Rate" or "Standby LC Fee Rate", as applicable, each such heading as set forth in the pricing grid on Annex I. The Applicable Margin shall automatically change in respect of all Committed Loans then outstanding or as to which a Notice of Borrowing has been delivered as of the date of any public announcement by S&P or Moody's resulting in a change of Level Status.

"Applicable Utilization Margin" means, at any time, the percentage rate per annum at which utilization margins (as provided in Section 2.12) are accruing on the Aggregate Outstanding Credit Exposure at such time as set forth in the pricing grid on Annex I.

"Arrangers" means J.P. Morgan Securities Inc. and Wachovia Bank, National Association.

"Assignee" has the meaning specified in subsection 10.08(a).

"Assignment and Acceptance" has the meaning specified in Section 10.08(a).

"Attorney Costs" means and includes all reasonable fees and disbursements of any law firm or other external counsel, the reasonable allocated cost of internal legal services and all reasonable disbursements of internal counsel.

"Bank" has the meaning specified in the introductory clause hereto.

"Bankruptcy Code" means the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. §101, et seq.).

"Base Rate" means, for any day, a fluctuating rate of interest per annum equal to (i) the higher of (a) the Prime Rate for such day and (b) the sum of (A) the Federal Funds Effective Rate for such day and (B) one-half of one percent (0.5%) per annum, plus (ii) the then Applicable Margin, changing as and when the Applicable Margin changes.

"Base Rate Committed Loan" means a Committed Loan that bears interest based on the Base Rate.

"Bid Borrowing" means a Borrowing hereunder consisting of one or more Bid Loans made to the Company on the same day by one or more Banks.

"Bid Loan" means a Loan by a Bank to the Company under Section 2.05, which may be a LIBOR Bid Loan or an Absolute Rate Bid Loan.

"Bid Loan Lender" means, in respect of any Bid Loan, the Bank making such Bid Loan to the Company.

"Bid Loan Note" has the meaning specified in Section 2.02.

"Borrowing" means a borrowing hereunder consisting of Loans of the same Type (in the case of Committed Loans) made to the Company on the same day by one or more of the Banks under Article II, and may be a Committed Borrowing or a Bid Borrowing and, other than in the case of Base Rate Committed Loans, having the same Interest Period.

"Borrowing Date" means any date on which a Borrowing occurs under Section 2.03.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York City or Chicago are authorized or required by law to close and, if the applicable Business Day relates to any Offshore Rate Loan, means such a day on which dealings are carried on in the applicable offshore dollar interbank market.

"Capital Adequacy Regulation" means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation,

whether or not having the force of law, in each case, regarding capital adequacy of any bank or of any corporation controlling a bank.

"Closing Date" means the date on which all conditions precedent set forth in Section 4.01 are satisfied or waived by all Banks (or, in the case of subsection 4.01(e), waived by the Person entitled to receive such payment).

"Code" means the Internal Revenue Code of 1986, and regulations promulgated thereunder.

"Collateral Shortfall Amount" means, at any time, an amount equal to the difference of (x) the amount of LC Obligations at such time, less (y) the amount on deposit in the Facility LC Collateral Account at such time which is free and clear of all rights and claims of third parties and has not been applied against the Obligations.

"Commitment", as to each Bank, has the meaning specified in Section 2.01.

"Committed Borrowing" means a Borrowing hereunder consisting of Committed Loans made on the same day by the Banks ratably according to their respective Pro Rata Shares and, in the case of Offshore Rate Committed Loans, having the same Interest Periods.

"Committed Loan" means a Loan by a Bank to the Company under Section 2.01, and may be an Offshore Rate Committed Loan or a Base Rate Committed Loan (each, a "Type" of Committed Loan).

"Committed Loan Note" has the meaning specified in Section 2.02.

"Competitive Bid" means an offer by a Bank to make a Bid Loan in accordance with subsection 2.06(c).

"Competitive Bid Request" has the meaning specified in subsection 2.06(a).

"Compliance Certificate" means a certificate substantially in the form of Exhibit A.

"Contingent Obligation" means, as applied to any Person, any material direct or indirect liability of that Person with respect to any Indebtedness, lease, dividend, Surety Instrument or other obligation (the "primary obligations") of another Person (the "primary obligor"), including any obligation of that Person, whether or not contingent, (a) to purchase, repurchase or otherwise acquire such primary obligations or any property constituting direct or indirect security therefor, or (b) to advance or provide funds (i) for the payment or discharge of any such primary obligation, or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, or (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) otherwise to assure or hold harmless the

holder of any such primary obligation against loss in respect thereof; in each case (a), (b), (c) or (d), including arrangements wherein the rights and remedies of the holder of the primary obligation are limited to repossession or sale of certain property of such Person. The amount of any Contingent Obligation shall be deemed equal to the lesser of (x) the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or if indeterminable, the maximum reasonably anticipated liability in respect thereof, or (y) any limitation of such Contingent Obligation contained in the instrument or agreement creating such Contingent Obligation.

"Contractual Obligation" means, as to any Person, any provision either of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound and which in either case is material to such Person.

"Conversion/Continuation Date" means any date on which, under Section 2.04, the Company (a) converts Committed Loans of one Type to another Type, or (b) continues Committed Loans of the same Type, but with a new Interest Period, in the case of Committed Loans having Interest Periods expiring on such date.

"Credit Extension" means the making of a Loan or the issuance of a Facility LC hereunder.

"Credit Extension Date" means the Borrowing Date for a Borrowing or the issuance date for a Facility LC.

"Default" means any event or circumstance which, with the giving of notice, the lapse of time, or both, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

"Documentation Agents" means The Bank of Tokyo-Mitsubishi, Ltd. and U.S. Bank National Association, in their respective capacity as documentation agents for the credit transaction evidenced by this Agreement.

"Dollars", "dollars" and "$" each mean lawful money of the United States.

"Eligible Assignee" means (i) any Bank party hereto as of the Closing Date, (ii) a commercial bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least $500,000,000; (iii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the "OECD"), or a political subdivision of any such country, and having a combined capital and surplus of at least $500,000,000, provided that such bank is acting through a branch or agency located in the United States; or (iv) a Person that is primarily engaged in the business of commercial banking and that is (A) a Subsidiary of a Bank, (B) a Subsidiary of a Person of which a Bank is a Subsidiary, or (C) a Person of which a Bank is a Subsidiary; provided that any such bank or Person shall also have senior unsecured long-term debt ratings which are rated at least

A- (or the equivalent) as publicly announced by S&P or A3 (or the equivalent) as publicly announced by Moody's.

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety and land use matters.

"ERISA" means the Employee Retirement Income Security Act of 1974, and regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Company or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA of, or the commencement of proceedings by the PBGC to terminate, a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate.

"Event of Default" means any of the events or circumstances specified in Section 8.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and regulations promulgated thereunder.

"Facility Fee" has the meaning specified in Section 2.12(a).

"Facility LC" is defined in Section 2.17(a).

"Facility LC Application" is defined in Section 2.17(c).

"Facility LC Collateral Account" is defined in Section 2.17(k).

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Chicago time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"FRB" means the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

"Funded Debt" means as of the date of any determination all outstanding Indebtedness of the Company and its consolidated Subsidiaries which matures more than one (1) year after the incurrence thereof or is extendable, renewable or refundable, at the option of the obligor, to a date more than one (1) year after the incurrence thereof.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of

comparable stature and authority within the U.S. accounting profession).

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any governmental regulatory authority or agency such as the FDIC, FRB, IRS or SEC.

"Indebtedness" of any Person means, without duplication, (a) all indebtedness for borrowed money; (b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business on ordinary terms); (c) all non-contingent reimbursement or payment obligations with respect to Surety Instruments; (d) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (e) all recourse indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by the Person; (f) all obligations with respect to capital leases; and (g) all reimbursement obligations with respect to letters of credit; provided, however, that the term "Indebtedness" shall not include non-recourse obligations or indebtedness of any kind; and provided further, however, that the term "Indebtedness" shall not include any such obligations or indebtedness owing by the Company or any Subsidiary to the Company or any Subsidiary.

"Indemnified Liabilities" has the meaning specified in Section 10.05.

"Indemnified Person" has the meaning specified in Section 10.05.

"Independent Auditor" has the meaning specified in subsection 6.01(a).

"Insolvency Proceeding" means with respect to a Person (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors generally, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors; in each case undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

"Interest Payment Date" means, as to any Loan other than a Base Rate Committed Loan, the last day of each Interest Period applicable to such Loan and the Revolving Termination Date, and, as to any Base Rate Committed Loan, the last Business Day of each calendar quarter and the Revolving Termination Date, provided, however, that (a) if any Interest Period for an Offshore Rate Committed Loan exceeds three months, the date that falls three months after the beginning of such Interest Period and after each Interest Payment Date thereafter is also an Interest Payment Date, and (b) as to any Bid Loan, such intervening dates prior to the maturity thereof as may be specified by the Company and agreed to by the applicable Bid Loan Lender in the applicable Competitive Bid shall also be Interest Payment Dates.

"Interest Period" means, (a) as to any Offshore Rate Committed Loan, the period commencing on the Business Day such Loan is disbursed, or on the Conversion/Continuation Date on which the Loan is converted into or continued as an Offshore Rate Committed Loan, and ending on the date one, two, three or six months thereafter, as selected by the Company in its Notice of Borrowing or Notice of Conversion/Continuation, as the case may be; (b) as to any LIBOR Bid Loan, the period commencing on the Business Day such Loan is disbursed and ending on the date one, two, three, six, nine or twelve months thereafter as selected by the Company in the applicable Competitive Bid Request and agreed to by the applicable Bid Loan Lender(s); and (c) as to any Absolute Rate Bid Loan, a period of not less than 7 days and not more than 364 days as selected by the Company in the applicable Competitive Bid Request and agreed to by the applicable Bid Loan Lender(s);

provided that:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day unless, in the case of an Offshore Rate Loan, the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(ii) any Interest Period pertaining to an Offshore Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no

numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period for any Loan shall extend beyond the Revolving Termination Date.

"Invitation for Competitive Bids" means a solicitation for Competitive Bids, substantially in the form of Exhibit D.

"IRS" means the Internal Revenue Service, and any Governmental Authority succeeding to any of its principal functions under the Code.

"JPMorgan" means JPMorgan Chase Bank, N.A., a national banking association, in its individual capacity, and its successors.

"LC Fee" is defined in Section 2.17(d).

“LC Issuer” means JPMorgan (or any subsidiary or affiliate of JPMorgan designated by JPMorgan) or any other Bank, as applicable, in its respective capacity as issuer of Facility LCs hereunder.

“LC Obligations” means, at any time, the sum, without duplication, of (i) the aggregate undrawn stated amount under all Facility LCs outstanding at such time plus (ii) the aggregate unpaid amount at such time of all Reimbursement Obligations.

“LC Payment Date” is defined in Section 2.17(e).

“Lending Office” means, as to any Bank, the office or offices of such Bank specified as its “Lending Office” or “Domestic Lending Office” or “Offshore Lending Office”, as the case may be, on Schedule 10.02, or such other office or offices as such Bank may from time to time notify the Company and the Agent.

“Level I Status” has the meaning specified in Annex I.

“Level II Status” has the meaning specified in Annex I.

“Level III Status” has the meaning specified in Annex I.

“Level IV Status” has the meaning specified in Annex I.

“Level V Status” has the meaning specified in Annex I.

“Level Status” means Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status (as such terms are defined in Annex I), as applicable at any time.

“LIBO Base Rate” for any Interest Period, with respect to each LIBOR Bid Loan in any Bid Borrowing or each Offshore Rate Committed Loan comprising part of the same Committed Borrowing, means, for the relevant Interest Period, the applicable

British Bankers' Association Interest Settlement Rate for deposits in Dollars as reported by any generally recognized financial information service as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period; provided that if no such British Bankers' Association Interest Settlement Rate is available, the applicable LIBO Base Rate for the relevant Interest Period shall instead be the rate determined by the Agent to be the rate at which JPMorgan offers to place deposits in Dollars with first class banks in the London interbank market at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period, in the approximate amount of JPMorgan's relevant Eurodollar Loan, and having a maturity equal to such Interest Period.

“LIBO Rate” means, with respect to each LIBOR Bid Loan in any Bid Borrowing or Offshore Rate Committed Loan comprising part of the same Committed Borrowing for the relevant Interest Period, the sum of (i) the quotient of (a) the LIBO Base Rate applicable to such Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the then Applicable Margin, changing as and when the Applicable Margin changes.

“LIBOR Auction” means a solicitation of Competitive Bids setting forth a LIBOR Bid Margin pursuant to Section 2.06.

“LIBOR Bid Loan” means any Bid Loan that bears interest at a rate based upon the LIBO Rate.

“LIBOR Bid Margin” has the meaning specified in subsection 2.06(c)(ii)(C).

“Lien” means any security interest, mortgage, deed of trust, pledge, hypothecation, charge or deposit arrangement, encumbrance, lien (statutory or other) or preferential arrangement of any kind or nature whatsoever in respect of any property (including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a capital lease, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement signed by and naming the owner of the asset to which such lien relates as debtor, under the Uniform Commercial Code or any comparable law), but not including the interest of a lessor under an operating lease.

“Loan” means an extension of credit by a Bank to the Company under Article II, and may be a Committed Loan or a Bid Loan.

“Loan Documents” means this Agreement, the Facility LC Applications, any Notes and all other documents, instruments and agreements delivered to the Agent or any Bank in connection herewith.

“Majority Banks” means (a) at any time prior to the Revolving Termination Date, Banks then holding greater than 50% of the Commitments, and (b) otherwise, Banks then holding greater than 50% of the then aggregate unpaid principal amount of the Aggregate Outstanding Credit Exposure.

“Margin Stock” means “margin stock” as such term is defined in Regulation T, U or X of the FRB.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the financial condition of the Company and its Subsidiaries taken as a whole; or (b) a material adverse effect upon the legality, validity, binding effect or enforceability against the Company of this Agreement, the Facility LC Applications or the Notes.

"Material Subsidiary" means, at any time, any Subsidiary having at such time either (a) total (gross) revenues for the preceding four fiscal quarter period in excess of 20% of total (gross) revenues of the Company and its consolidated Subsidiaries for such period or (b) total assets, as of the last day of the preceding fiscal quarter, having a net book value in excess of 20% of the total assets of the Company and its consolidated Subsidiaries as of such day, in each case, based upon the Company's most recent annual or quarterly financial statements delivered to the Agent under Section 6.01.

"Modify" and "Modification" are defined in Section 2.17(a).

"Moody's" means Moody's Investors Service, a division of Dun & Bradstreet Corporation.

"Multiemployer Plan" means a "multiemployer plan", within the meaning of Section 4001(a)(3) of ERISA, to which the Company or any ERISA Affiliate makes, is making, or is obligated to make contributions or, during the preceding three calendar years, has made, or been obligated to make, contributions.

"Notes" means the Committed Loan Notes and the Bid Loan Notes.

"Notice of Borrowing" means a notice in substantially the form of Exhibit B.

"Notice of Conversion/Continuation" means a notice in substantially the form of Exhibit C.

"Obligations" means all advances, debts, fees, liabilities, obligations (including, but not limited to, reimbursement obligations with respect to letters of credit), covenants and duties arising under this Agreement and the Notes, owing by the Company to any Bank, the LC Issuer, the Agent, or any Indemnified Person, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising.

"Offshore Rate Committed Loan" means any Committed Loan that bears interest based on the LIBO Rate.

"Offshore Rate Loan" means any LIBOR Bid Loan or any Offshore Rate Committed Loan.

"Organization Documents" means, for any corporation, the certificate or articles of incorporation, the bylaws, any certificate of determination or instrument relating to the rights of preferred shareholders of such corporation, any shareholder rights agreement, and all applicable resolutions of the board of directors (or any committee thereof) of such corporation.

"Other Taxes" means any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Documents.

"Outstanding Credit Exposure" means, as to any Bank on any date, the sum of (i) the aggregate principal amount of all Committed Loans and Bid Loans made by such Bank and outstanding as of such date, plus (ii) an amount equal to such Bank's Pro Rata Share of the LC Obligations on such date.

"Participant" has the meaning specified in subsection 10.08(d).

"PBGC" means the Pension Benefit Guaranty Corporation, or any Governmental Authority succeeding to any of its principal functions under ERISA.

"Pension Plan" means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which the Company sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five (5) plan years.

"Permitted Liens" has the meaning specified in Section 7.01.

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture or Governmental Authority.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which the Company sponsors or maintains or to which the Company makes, is making, or is obligated to make contributions and includes any Pension Plan.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by JPMorgan or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Pro Rata Share" means, as to any Bank at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank's Commitment divided by the aggregate Commitments hereunder (or, if all Commitments have been terminated, the aggregate principal amount of such Bank's Outstanding Credit Exposure divided by the Aggregate Outstanding Credit Exposure). The initial Pro Rata Share of each Bank is set forth opposite such Bank's name in Schedule 2.01 under the heading "Pro Rata Share".

"Reimbursement Obligations" means, at any time, the aggregate of all obligations of the Company then outstanding under Section 2.17 to reimburse the LC Issuers for amounts paid by the LC Issuers in respect of any one or more drawings under Facility LCs.

"Replacement Bank" has the meaning specified in Section 3.08.

"Reportable Event" means, any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

"Requirement of Law" means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on "Eurocurrency liabilities" (as defined in Regulation D).

"Responsible Officer" means any of the following officers of the Company: the chief executive officer, the chief operating officer, the president, the chief financial officer, the treasurer, the assistant treasurer, or any other officer of the Company having similar authority and responsibility to any of the foregoing.

"Revolving Termination Date" means the earlier to occur of:

(b) July 20, 2010; and

(c) the date on which the Commitments terminate in accordance with Section 2.07 or 8.02 of this Agreement.

"S&P" means Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Solvent" means, when used with respect to any Person, that at the time of determination:

(i) the fair value of its assets (both at fair valuation and at present fair saleable value, it being recognized that such determination shall not be made based on the book value of such assets as determined in accordance with GAAP) is equal to or in excess of the total amount of its liabilities, including, without limitation, contingent liabilities; and

(ii) it is then able and expects to be able to pay its debts as they mature; and

(iii) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

For purposes of this definition of "Solvent", with respect to contingent liabilities (such as litigation, guarantees and pension plan liabilities), such liabilities shall be computed at the amount which, in light of all the facts and circumstances existing at the time, represent the amount which can reasonably be expected to become an actual or matured liability.

"Subsidiary" of a Person means any corporation, association, partnership, limited liability company, joint venture or other business entity of which more than 60% of the voting stock, membership interests or other equity interests (in the case of Persons other than corporations), is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a "Subsidiary" refer to a Subsidiary of the Company.

"Surety Instruments" means all letters of credit (including standby and commercial), banker's acceptances, bank guaranties, shipside bonds, surety bonds and similar instruments.

"Syndication Agent" means Wachovia Bank, National Association, in its capacity as syndication agent for the credit transaction evidenced by this Agreement.

"Taxes" means any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, such taxes (including income taxes or franchise taxes) as are imposed on or measured by each Bank's net income by the jurisdiction (or any political subdivision thereof) under the laws of which such Bank or the Agent, as the case may be, is organized or maintains a lending office; provided, however, that "Taxes" shall be limited to taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, which are imposed by any Governmental Authority in the United States unless the Company makes any payments hereunder with funds derived from sources outside the United States.

"2004 5-Year Credit Agreement" means that certain 5-Year Revolving Credit Agreement, dated as of July 22, 2004, by and among the Company, the lenders parties thereto, and JPMorgan Chase Bank, N.A., as administrative agent, as the same may be amended, restated, supplemented or otherwise modified and as in effect from time to time.

"Type" has the meaning specified in the definition of "Committed Loan."

"Unfunded Pension Liability" means the excess of a Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan's assets,

determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"United States" and "U.S." each means the United States of America.

"Wholly-Owned Subsidiary" means any corporation in which (other than directors' qualifying shares or similar nominal shares required by law) 100% of the capital stock of each class having ordinary voting power, and 100% of the capital stock of every other class, in each case, at the time as of which any determination is being made, is owned, beneficially and of record, by the Company, or by one or more of the other Wholly-Owned Subsidiaries, or both.

1.02 Other Interpretive Provisions.

(a) Defined Terms. Unless otherwise specified herein or therein, all terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto. The meaning of defined terms shall be equally applicable to the singular and plural forms of the defined terms. Terms (including uncapitalized terms) not otherwise defined herein and that are defined in the UCC shall have the meanings therein described.

(b) The Agreement. The words "hereof", "herein", "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and subsection, section, schedule and exhibit references are to this Agreement unless otherwise specified.

(c) Certain Common Terms.

(i) The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(ii) The term "including" is not limiting and means "including without limitation."

(d) Performance; Time. Whenever any performance obligation hereunder shall be stated to be due or required to be satisfied on a day other than a Business Day, such performance shall be made or satisfied on the next succeeding Business Day. In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including." If any provision of this Agreement refers to any action taken or to be taken by any Person, or which such Person is prohibited from taking, such provision shall be interpreted to encompass any and all reasonable means, direct or indirect, of taking, or not taking, such action.

(e) Contracts. Unless otherwise expressly provided herein, references to agreements and other contractual instruments shall be deemed to include all subsequent

amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document.

(f) Laws. References to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(g) Captions. The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(h) Independence of Provisions. The parties acknowledge that this Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters, and that such limitations, tests and measurements are cumulative and must each be performed, except as expressly stated to the contrary in this Agreement.

1.03 Accounting Principles.

(a) Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP, as in effect from time to time; provided that, if the Company notifies the Agent that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Agent notifies the Company that the Majority Banks request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

(b) References herein to "fiscal year" and "fiscal quarter" refer to such fiscal periods of the Company.

ARTICLE II

THE CREDITS

2.01 The Revolving Credit.

Each Bank severally agrees, on the terms and conditions set forth herein, to make Committed Loans to, and participate in Facility LCs issued upon the application of, the Company from time to time on any Business Day during the period from the Closing Date to the Revolving Termination Date, in an aggregate amount not to exceed at any time outstanding the amount set forth on Schedule 2.01 (such an amount as the same may be reduced or increased under Section 2.07 or changed as a result of one or more assignments under Section 10.08, such Bank's "Commitment"); provided, however, that, the Aggregate Outstanding Credit Exposure (including all Bid Loans) shall not at any time exceed the aggregate Commitments hereunder. Within the

limits of each Bank's Commitment, at any time prior to the Revolving Termination Date and subject to the other terms and conditions hereof, the Company may borrow under this Section 2.01, prepay under Section 2.08 and reborrow under this Section 2.01. The LC Issuers will issue Facility LCs hereunder on the terms and conditions set forth in Section 2.17.

2.02 Loan Accounts; Notes.

(a) The Committed Loans, the LC Obligations and the Bid Loans made by each Bank shall be evidenced by one or more loan accounts or records maintained by such Bank in the ordinary course of business. The loan accounts or records maintained by the Agent and each Bank shall be prima facie evidence of the amount of the Loans and Facility LCs made by the Banks and the LC Issuers, respectively, to the Company and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to pay any amount owing with respect to the Loans and Facility LCs.

(b) If requested by any Bank, the Company shall execute and deliver to such Bank a promissory note evidencing such Bank's Committed Loans (each a "Committed Loan Note") and a promissory note evidencing such Bank's Bid Loans (each a "Bid Loan Note", and collectively, the "Notes") (each such Committed Loan Note to be substantially in the form of Exhibit G-1, and each such Bid Loan Note to be substantially in the form of Exhibit G-2). Each Bank shall endorse on the schedule annexed to its Note the date, amount and maturity of each Loan made by it and the amount of each payment of principal made by the Company with respect thereto. Each such Bank is irrevocably authorized by the Company to endorse its Note and each Bank's record shall be prima facie evidence of the amount of each such Loan; provided, however, that the failure of a Bank to make, or an error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the obligations of the Company hereunder or under any such Note to such Bank.

2.03 Procedure for Committed Borrowing.

(a) Each Committed Borrowing shall be made upon the Company's irrevocable written notice delivered to the Agent in the form of a Notice of Borrowing (which notice must be received by the Agent (i) prior to 10:00 a.m. (Chicago time) three Business Days prior to the requested Borrowing Date, in the case of Offshore Rate Committed Loans; and (ii) prior to 10:00 a.m. (Chicago time) on the requested Borrowing Date, in the case of Base Rate Committed Loans, specifying:

(A) the amount of the Committed Borrowing, which shall be in an aggregate minimum amount of $5,000,000 or any multiple of $1,000,000 in excess thereof;

(B) the requested Borrowing Date, which shall be a Business Day;

(C) the Type of Committed Loans comprising the Committed Borrowing; and

(D) if the Committed Loans consist of Offshore Rate Committed Loans, the duration of the Interest Period applicable to such Committed Loans included in such notice. If the Notice of Borrowing fails to specify the duration of the Interest Period for any Committed Borrowing comprised of Offshore Rate Committed Loans, such Interest Period shall be one month.

(b) The Agent will promptly notify each Bank of its receipt of any Notice of Borrowing and of the amount of such Bank's Pro Rata Share of that Committed Borrowing.

(c) Each Bank will make the amount of its Pro Rata Share of each Committed Borrowing available to the Agent for the account of the Company at the Agent's Payment Office by 12:00 noon (Chicago time) on the Borrowing Date requested by the Company in funds immediately available to the Agent. Any such amount which is received later than 12:00 noon (Chicago time) shall be deemed to have been received on the immediately succeeding Business Day. The proceeds of each such Committed Borrowing will then be made available to the Company by the Agent at such office by crediting the account of the Company on the books of JPMorgan for the aggregate of the amounts made available to the Agent by the Banks and in like funds as received by the Agent, or if requested by the Company, by wire transfer in accordance with written instructions provided to the Agent by the Company of such funds as received by the Agent, unless on the date of the Committed Borrowing all or any portion of the proceeds thereof shall then be required to be applied to the repayment of any outstanding Loans, in which case such proceeds or portion thereof shall be applied to the payment of such Loans.

(d) After giving effect to any Committed Borrowing, there may not be more than eight (8) different Interest Periods in effect in respect of all Committed Loans and Bid Loans together then outstanding.

2.04 Conversion and Continuation Elections for Committed Borrowings. (a) The Company may, upon irrevocable written notice to the Agent in accordance with subsection 2.04(b):

(i) elect, as of any Business Day, in the case of Base Rate Committed Loans, or as of the last day of the applicable Interest Period, in the case of Offshore Rate Committed Loans, to convert any such Committed Borrowings (or any part thereof in an amount not less than $5,000,000, or that is in an integral multiple of $1,000,000 in excess thereof) into Committed Borrowings of the other Type; or

(ii) elect, as of the last day of the applicable Interest Period, to continue any Committed Borrowings having Interest Periods expiring on such day (or any part thereof in an amount not less than $5,000,000, or that is in an integral multiple of $1,000,000 in excess thereof);

provided, that if at any time the aggregate amount of Offshore Rate Committed Loans in respect of any Committed Borrowing is reduced, by payment, prepayment, or conversion of part thereof to be less than $1,000,000, such Offshore Rate Committed Loans shall automatically convert into Base Rate Committed Loans, and on and after such date the right of the Company to continue such Committed Loans as, and convert such Committed Loans into, Offshore Rate Committed Loans shall terminate.

(b) The Company shall deliver a Notice of Conversion/Continuation to be received by the Agent not later than (i) 10:00 a.m. (Chicago time) at least three Business Days in advance of the Conversion/Continuation Date, if the Committed Borrowings are to be converted into or continued as Offshore Rate Committed Loans; and (ii) 10:00 a.m. (Chicago time) on the Conversion/Continuation Date, if the Loans are to be converted into Base Rate Committed Loans, specifying:

(A) the proposed Conversion/Continuation Date;

(B) the aggregate amount of Committed Loans to be converted or continued;

(C) the Type of Committed Loans resulting from the proposed conversion or continuation; and

(D) other than in the case of conversions into Base Rate Committed Loans, the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to Offshore Rate Committed Loans, the Company has failed to select timely a new Interest Period to be applicable to such Loans in accordance with Section 2.04(b), or if any Event of Default then exists, the Company shall be deemed to have elected to convert such Offshore Rate Committed Loans into Base Rate Committed Loans effective as of the expiration date of such Interest Period.

(d) The Agent will promptly notify each Bank of its receipt of a Notice of Conversion/Continuation, or, if no timely notice is provided by the Company, the Agent will promptly notify each Bank of the details of any automatic conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Committed Loans with respect to which the notice was given held by each Bank.

(e) Unless the Majority Banks otherwise agree, during the existence of an Event of Default, the Company may not elect to have a Committed Loan made as, converted into or continued as, an Offshore Rate Committed Loan.

(f) Unless otherwise agreed to by the Agent, after giving effect to any conversion or continuation of Committed Loans, there may not be more than eight (8) different Interest Periods in effect in respect of all Committed Loans and Bid Loans together then outstanding.

2.05 Bid Borrowings.

In addition to Committed Borrowings, each Bank severally agrees that the Company may, as set forth in Section 2.06, from time to time request the Banks prior to the Revolving Termination Date to submit offers to make Bid Loans to the Company; provided, however, that the Banks may, but shall have no obligation to, submit such offers and the Company may, but shall have no obligation to, accept any such offers; and provided, further, that at no time shall (a) the outstanding aggregate principal amount of all Bid Loans made by all Banks, plus the outstanding aggregate principal amount of (i) all Committed Loans made by all Banks and (ii) the LC Obligations exceed the aggregate Commitments; or (b) the number of Interest Periods for Bid Loans then outstanding plus the number of Interest Periods for Committed Loans then outstanding exceed eight (8) unless agreed by the Agent.

2.06 Procedure for Bid Borrowings. The Company may, as set forth in this Section, request the Agent to solicit offers from all the Banks to make Bid Loans.

(a) When the Company wishes to request the Banks to submit offers to make Bid Loans hereunder, it shall transmit to the Agent by telephone call followed promptly by facsimile transmission a notice in substantially the form of Exhibit E (a "Competitive Bid Request") so as to be received no later than 10:00 a.m. (Chicago time) (x) four Business Days prior to the date of a proposed Bid Borrowing in the case of a LIBOR Auction, or (y) one Business Day prior to the date of a proposed Bid Borrowing in the case of an Absolute Rate Auction, specifying:

(i) the date of such Bid Borrowing, which shall be a Business Day;

(ii) the aggregate amount of such Bid Borrowing, which shall be a minimum amount of $5,000,000 or in multiples of $1,000,000 in excess thereof;

(iii) whether the Competitive Bids requested are to be for LIBOR Bid Loans or Absolute Rate Bid Loans or both; and

(iv) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of "Interest Period" herein.

Subject to subsection 2.06(c), the Company may not request Competitive Bids for more than three Interest Periods in a single Competitive Bid Request and may not request Competitive Bids more than once in any period of five Business Days.

(b) Upon receipt of a Competitive Bid Request, the Agent will promptly send to the Banks by facsimile transmission an Invitation for Competitive Bids, which shall constitute an invitation by the Company to each Bank to submit Competitive Bids offering to make the Bid Loans to which such Competitive Bid Request relates in accordance with this Section 2.06.

(c) (i) Each Bank may at its discretion submit a Competitive Bid containing an offer or offers to make Bid Loans in response to any Invitation for Competitive Bids. Each Competitive Bid must comply with the requirements of this subsection 2.06(c) and

must be submitted to the Agent by facsimile transmission at its offices specified in or pursuant to Section 10.02 not later than (1) 10:00 a.m. (Chicago time) three Business Days prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (2) 10:00 a.m. (Chicago time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction; provided that Competitive Bids by JPMorgan (or any Affiliate of JPMorgan) may only be submitted if JPMorgan or such Affiliate notifies the Company of the terms of the offer or offers contained therein not later than (A) 10:00 a.m. (Chicago time) three Business Days prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (B) 10:00 a.m. (Chicago time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction.

(i) Each Competitive Bid shall be in substantially the form of Exhibit F, specifying therein:

(A) the proposed date of Borrowing;

(B) the principal amount of each Bid Loan for which such Competitive Bid is being made, which principal amount (x) may be equal to, greater than or less than the Commitment of the quoting Bank, (y) must be $5,000,000 or in multiples of $1,000,000 in excess thereof, and (z) may not exceed the principal amount of Bid Loans for which Competitive Bids were requested;

(C) in case the Company elects a LIBOR Auction, the margin above or below the LIBO Rate (exclusive of the Applicable Margin) (the "LIBOR Bid Margin") offered for each such Bid Loan, expressed in multiples of 1/1000th of one basis point to be added to or subtracted from the applicable LIBO Rate (exclusive of the Applicable Margin) and the Interest Period applicable thereto;

(D) in case the Company elects an Absolute Rate Auction, the rate of interest per annum expressed in multiples of 1/1000th of one basis point (the "Absolute Rate") offered for each such Bid Loan and the Interest Period applicable thereto; and

(E) the identity of the quoting Bank.

(F) a Competitive Bid may contain up to three separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Competitive Bids.

(ii) Any Competitive Bid shall be disregarded if it:

(A) is not substantially in conformity with Exhibit F or does not specify all of the information required by subsection (c)(ii) of this Section;

(B) contains qualifying, conditional or similar language;

(C) proposes terms other than or in addition to those set forth in the applicable Invitation for Competitive Bids; or

(D) arrives after the time set forth in subsection (c)(i).

(d) Promptly on receipt and not later than 9:00 a.m. (Chicago time) three Business Days prior to the proposed date of Borrowing, in the case of a LIBOR Auction, or 9:00 a.m. (Chicago time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction, the Agent will notify the Company of the terms (i) of any Competitive Bid submitted by a Bank that is in accordance with subsection 2.06(c), and (ii) of any Competitive Bid that amends, modifies or is otherwise inconsistent with a previous Competitive Bid submitted by such Bank with respect to the same Competitive Bid Request. Notwithstanding the foregoing, any such subsequent Competitive Bid shall be disregarded by the Agent unless such subsequent Competitive Bid is submitted solely to correct a manifest error in such former Competitive Bid and only if received within the times set forth in subsection 2.06(c). The Agent's notice to the Company shall specify (1) the aggregate principal amount of Bid Loans for which offers have been received for each Interest Period specified in the related Competitive Bid Request; (2) the respective principal amounts and LIBOR Bid Margins or Absolute Rates, as the case may be, so offered; and (3) any other information regarding such Competitive Bid reasonably requested by the Company. Subject only to the provisions

of Sections 3.02, 3.05 and 4.02 hereof and the provisions of this subsection (d), any Competitive Bid shall be irrevocable except with the written consent of the Agent given on the written instructions of the Company.

(e) Not later than 10:00 a.m. (Chicago time) three Business Days prior to the proposed date of Borrowing, in the case of a LIBOR Auction, or 10:00 a.m. (Chicago time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction, the Company shall notify the Agent, in writing and in a form reasonably acceptable to the Agent, of its acceptance or non-acceptance of the offers received by it pursuant to subsection 2.06(c) or notified to it pursuant to subsection 2.06(d). The Company shall be under no obligation to accept any offer and may choose to accept or reject some or all offers. In the case of acceptance, such notice shall specify the aggregate principal amount of offers for each Interest Period that is accepted. The Company may accept any Competitive Bid in whole or in part; provided that:

(i) the aggregate principal amount of each Bid Borrowing may not exceed the applicable amount set forth in the related Competitive Bid Request;

(ii) the principal amount of each Bid Borrowing must be $5,000,000 or in any multiple of $1,000,000 in excess thereof;

(iii) acceptance of offers may only be made on the basis of ascending LIBOR Bid Margins or Absolute Rates within each Interest Period, as the case may be; and

(iv) the Company may not accept any offer that is described in subsection 2.06(c)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(f) If offers are made by two or more Banks with the same LIBOR Bid Margins or Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which such offers are accepted for the related Interest Period, the principal amount of Bid Loans in respect of which such offers are accepted shall be allocated by the Agent among such Banks (in such multiples, not less than $1,000,000, as the Agent may deem appropriate) as nearly as practicable in proportion to the aggregate principal amounts of such offers. Determination by the Agent of the amounts of Bid Loans shall be conclusive in the absence of manifest error.

(g) (i) The Agent will promptly notify each Bank having submitted a Competitive Bid if its offer has been accepted and, if its offer has been accepted, of the amount of the Bid Loan or Bid Loans to be made by it on the date of the Bid Borrowing.

(i) Each Bank, which has received notice pursuant to subsection 2.06(g)(i) that its Competitive Bid has been accepted, shall make the amounts of such Bid Loans available to the Agent for the account of the Company at the Agent's Payment Office, by 11:00 a.m. (Chicago time) in the case of Absolute Rate Bid Loans, and by 11:00 a.m. (Chicago time) in the case of LIBOR Bid Loans, on such date of Bid Borrowing, in funds immediately available to the Agent for the account of the Company at the Agent's Payment Office.

(ii) Promptly following each Bid Borrowing, the Agent shall notify each Bank of the ranges of bids submitted and the highest and lowest bids accepted for each Interest Period requested by the Company and the aggregate amount borrowed pursuant to such Bid Borrowing.

(h) If, on or prior to the proposed date of Borrowing, the Commitments have not been terminated and if, on such proposed date of Borrowing all applicable conditions to funding referenced in Sections 3.02, 3.05 and 4.02 hereof are satisfied, the Bank or Banks whose offers the Company has accepted will fund each Bid Loan so accepted. Nothing in this Section 2.06 shall be construed as a right of first offer in favor of the Banks or to otherwise limit the ability of the Company to request and accept credit facilities from any Person (including any of the Banks), provided that such credit facilities are not prohibited by this Agreement.

2.07 Termination or Reduction of Commitments; Increase of Commitments.

(a) The Company may, upon not less than three Business Days' prior notice to the Agent, terminate the Commitments, or permanently reduce the Commitments by an aggregate minimum amount of $5,000,000 or any multiple of $1,000,000 in excess thereof; unless, after giving effect thereto and to any payments or prepayments of Committed Loans and Reimbursement Obligations made on the effective date thereof, the then-Aggregate Outstanding Credit Exposure would exceed the amount of the aggregate Commitments then in effect. The Agent shall promptly notify the Banks of any such termination or reduction. Once reduced in accordance with this Section, the Commitments may not be increased. Any reduction of the Commitments shall be applied to each Bank according to its Pro Rata Share. All accrued Facility Fees to, but not

including the effective date of any reduction or termination of Commitments, shall be paid on the effective date of such reduction or termination.

(b) At any time prior to the Revolving Termination Date the Company may, on the terms set forth below, request that the Commitments hereunder be increased by an aggregate amount up to $50,000,000; provided, however, that (i) an increase in the Commitments hereunder may only be made at a time when no Default or Unmatured Default shall have occurred and be continuing and (ii) in no event shall the aggregate Commitments hereunder exceed $325,000,000 in the aggregate. In the event of such a requested increase in the Commitments, any financial institution which the Company and the Agent invite to become a Bank or to increase its Commitment may set the amount of its Commitment at a level agreed to by the Company and the Agent. In the event that the Company and one or more of the Banks (or other financial institutions) shall agree upon such an increase in the Commitments (i) the Company, the Agent, the LC Issuers and each Bank or other financial institution increasing its Commitment or extending a new Commitment shall enter into an amendment to this Agreement setting forth the amounts of the Commitments, as so increased, providing that the financial institutions extending new Commitments shall be Banks for all purposes under this Agreement, and setting forth such additional provisions as the Agent and the Company shall consider reasonably appropriate and (ii) the Company shall furnish, if requested, new Notes to each financial institution that is extending a new Commitment or increasing its Commitment. No such amendment shall require the approval or consent of any Bank whose Commitment is not being increased. Upon the

execution and delivery of such amendment as provided above, and upon satisfaction of such other conditions as the Agent may reasonably specify upon the request of the financial institutions that are extending new Commitments (including, without limitation, the Agent administering the reallocation of any outstanding Loans (other than Bid Loans) ratably among the Banks after giving effect to each such increase in the Commitments, and the delivery of certificates, evidence of corporate authority and legal opinions on behalf of the Company), this Agreement shall be deemed to be amended accordingly.

2.08 Optional Prepayments.

(a) Subject to Section 3.04, the Company may, at any time or from time to time, upon not less than three Business Days' irrevocable notice to the Agent, in the case of Offshore Rate Committed Loans, or upon not less than one Business Day's irrevocable notice to the Agent, in the case of Base Rate Committed Loans, ratably prepay such Loans in whole or in part, in minimum amounts of $5,000,000 or any multiple of $1,000,000 in excess thereof. Such notice of prepayment shall specify the date and amount of such prepayment and the Type(s) of Committed Loans to be prepaid. The Agent will promptly notify each Bank of its receipt of any such notice, and of such Bank's Pro Rata Share of such prepayment. If such notice is given by the Company, the Company shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest thereon to each such date on the amount prepaid and any amounts required pursuant to Section 3.04; provided that if the Company shall fail to make any such payment on the date specified therein, such failure shall not constitute an Event of Default hereunder, and

if the Committed Loan is a Base Rate Committed Loan such Loan shall continue as if such prepayment notice had not been given, and if the Committed Loan is an Offshore Rate Committed Loan such Loan shall be automatically converted to a Base Rate Committed Loan as of the date specified in such notice.

(b) Bid Loans may not be voluntarily prepaid.

2.09 [RESERVED].

2.10 Repayment. The Company shall repay to the Banks on the Revolving Termination Date the Aggregate Outstanding Credit Exposure and all other unpaid Obligations on such date. The Company shall repay each Offshore Rate Committed Loan and each Bid Loan on the last day of the relevant Interest Period.

2.11 Interest.

(a) Each Committed Loan shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the LIBO Rate or the Base Rate, as the case may be (and subject to the Company's right to convert to other Types of Loans under Section 2.04). Each Bid Loan shall bear interest on the outstanding principal amount thereof from the relevant Borrowing Date at a rate per annum equal to the LIBO Rate (exclusive of the Applicable Margin) plus (or minus) the LIBOR Bid Margin, or at the Absolute Rate, as the case may be.

(b) Interest on each Loan shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any prepayment of Committed Loans (except in the case of a Base Rate Committed Loan, as to which such interest shall be paid on the next Interest Payment Date) under Section 2.08 for the portion of the Loans so prepaid and upon payment (including prepayment) in full thereof.

(c) Notwithstanding subsection (a) of this Section, after acceleration or the occurrence and continuation of an Event of Default under Section 8.01(a) or (c), or commencing five (5) days after the occurrence and continuation of any other Event of Default, (i) the Company shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all outstanding Obligations, at a rate per annum which is determined by adding 2% per annum to the Applicable Margin then in effect for such Loans, (ii) the LC Fee shall be increased by 2% per annum, and (iii) in the case of all other Obligations not subject to an Applicable Margin, at a rate per annum equal to the Base Rate plus 2%; provided, however, that, on and after the expiration of any Interest Period applicable to any Offshore Rate Loan outstanding on the date of occurrence of such Event of Default or acceleration, the principal amount of such Loan shall, after the expiration of such Interest Period and during the continuation of such Event of Default or after acceleration, bear interest at a rate per annum equal to the Base Rate plus 2%. Interest payable under this subsection 2.11(c) shall be payable on demand by the Majority Banks or the applicable Bid Loan Lender, as the case may be.

(d) Anything herein to the contrary notwithstanding, the obligations of the Company to any Bank hereunder shall be subject to the limitation that payments of interest shall not be required for any period for which interest is computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by such Bank would be contrary to the provisions of any law applicable to such Bank limiting the highest rate of interest that may be lawfully contracted for, charged or received by such Bank, and in such event the Company shall pay such Bank interest at the highest rate permitted by applicable law.

2.12 Fees.

(a) Facility Fee. The Company shall pay to the Agent for the account of each Bank a facility fee (the "Facility Fee") on the entire portion of such Bank's Commitment (whether utilized or unutilized), computed on a quarterly basis in arrears on the last Business Day of each calendar quarter, equal to the Applicable Facility Fee Rate. Such Facility Fee shall accrue from the Closing Date to the date on which this Agreement is terminated and all of the Obligations hereunder have been paid in full and shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter commencing on September 30, 2005 through the date on which this Agreement is terminated and all of the Obligations hereunder have been paid in full, with the final payment to be made on the date on which this Agreement is terminated and all of the Obligations hereunder have been paid in full; provided that, in connection with any reduction or termination of Commitments under Section 2.07, the accrued

Facility Fee calculated for the period ending on such date shall also be paid on the date of such reduction or termination, with the following quarterly payment being calculated on the basis of the period from such reduction or termination date to such quarterly payment date. The Facility Fees provided in this subsection shall accrue at all times after the above-mentioned commencement date, including at any time during which one or more conditions in Article IV are not met.

(b) Utilization Margin. For each day from and after the date hereof to but not including the Revolving Termination Date on which the Aggregate Outstanding Credit Exposure exceeds fifty percent (50%) of the aggregate Commitments (or if all of the Commitments shall have been terminated, the aggregate Commitments in effect immediately prior to such termination), the interest rate otherwise applicable to the Loans and the LC Fee, respectively, shall be increased by a rate per annum equal to the Applicable Utilization Margin in effect from time to time. Such Applicable Utilization Margin shall (i) be computed on a quarterly basis in arrears on the last Business Day of each calendar quarter, (ii) accrue for all such days from the Closing Date to the date on which this Agreement is terminated and all of the Obligations hereunder have been paid in full, and (iii) be payable in arrears on the last Business Day of each such quarter commencing on the last Business Day of the fiscal quarter following the Closing Date through the date on which this Agreement is terminated and all of the Obligations hereunder have been paid in full, with the final payment, if applicable, to be made on the date on which this Agreement is terminated and all of the Obligations hereunder have been paid in full.

2.13 Computation of Fees and Interest.

(a) All computations of interest for Base Rate Committed Loans shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of interest and fees, including LC Fees, shall be made on the basis of a 360-day year and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year). Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof to the last day thereof.

(b) Each determination of an interest rate by the Agent shall be conclusive and binding on the Company and the Banks in the absence of manifest error. The Agent will, at the request of the Company or any Bank, deliver to the Company or the Bank, as the case may be, a statement showing the quotations used by the Agent in determining any interest rate.

(c) The Agent will, with reasonable promptness, notify the Company and the Banks of each determination of the LIBO Rate; provided that any failure to do so shall not relieve the Company of any liability hereunder or provide the basis for any Event of Default or any claim against the Agent. Any change in the interest rate payable on the Offshore Rate Committed Loans (including, without limitation, the Applicable Utilization Margin) or in the Facility Fees payable under Section 2.12 resulting from a change in the Company's senior unsecured long-term debt ratings shall become effective and shall apply to any such Loans then outstanding or to such fees as of the opening of business on the day on which such change in the Company's debt ratings becomes effective. The Agent will with reasonable promptness notify the Company and the Banks of the effective date and the amount of each such change, provided that any failure to do so shall not relieve the Company of any liability hereunder or provide the basis for any Event of Default or any claim against the Agent.

2.14 Payments by the Company.

(a) All payments to be made by the Company shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided herein, all payments by the Company shall be made to the Agent for the account of the Banks at the Agent's Payment Office, and shall be made in dollars and in immediately available funds, no later than 12:00 noon (Chicago time) on the date specified herein. The Agent will promptly distribute to each Bank its Pro Rata Share (except in the case of Reimbursement Obligations for which the LC Issuers have not been fully indemnified by the Banks, or as otherwise specifically required hereunder) of such payment in like funds as received. Any payment received by the Agent later than 12:00 noon (Chicago time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue. Each reference to the Agent in this Section 2.14 shall also be deemed to refer, and shall apply equally, to the LC Issuers, in the case of payments required to be made by the Company to the LC Issuers pursuant to Section 2.17(f).

(b) Subject to the provisions set forth in the definition of "Interest Period" herein, whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Agent receives notice from the Company prior to the date on which any payment is due to the Banks that the Company will not make such payment in full as and when required, the Agent may assume that the Company has made such payment in full to the Agent on such date in immediately available funds and the Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Company has not made such payment in full to the Agent, each Bank shall repay to the Agent on demand such amount distributed to such Bank, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Bank until the date repaid.

2.15 Payments by the Banks to the Agent.

(a) Unless the Agent receives notice from a Bank on or prior to the Closing Date or, with respect to any Borrowing after the Closing Date, prior to 11:00 a.m. (Chicago time) on the date of such Borrowing, that such Bank will not make available as and when required hereunder to the Agent for the account of the Company the amount of that Bank's Loan comprising a Borrowing, the Agent may assume that each Bank has made such amount available to the Agent in immediately available funds on the Borrowing Date and the Agent may (but shall not be so required), in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent any Bank shall not have made its full amount available to the Agent in immediately available funds and the Agent in such circumstances has made available to the Company such amount, that Bank shall on the Business Day following such Borrowing Date make such amount available to the Agent, together with

interest at the Federal Funds Rate for each day during such period. A notice of the Agent submitted to any Bank with respect to amounts owing under this subsection (a) shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Agent shall constitute such Bank's Loan on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to the Agent on the Business Day following the Borrowing Date, the Agent will notify the Company of such failure to fund and, upon demand by the Agent, the Company shall pay such amount to the Agent for the Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Borrowing.

(b) The failure of any Bank to make any Committed Loan on any Borrowing Date shall not relieve any other Bank of any obligation hereunder to make a Committed Loan on such Borrowing Date, but no Bank shall be responsible for the failure of any other Bank to make the Committed Loan to be made by such other Bank on any Borrowing Date.

2.16 Sharing of Payments, Etc. If, other than as expressly provided in Section 3.08 or 10.08 hereof, any Bank shall obtain on account of the Committed Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its Pro Rata Share, such Bank shall immediately (a) notify the Agent of such fact, and (b) purchase from the other Banks such participations in the Committed Loans made by them as shall be necessary to cause such purchasing Bank to share the excess payment pro rata with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Bank, such purchase shall to that extent be rescinded and each other Bank shall repay to the purchasing Bank the purchase price paid therefor, together with an amount equal to such paying Bank's ratable share (according to the proportion of (i) the amount of such paying Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Company agrees that any Bank so purchasing a participation from another Bank may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 10.09) with respect to such participation as fully as if such Bank were the direct creditor of the Company in the amount of such participation. The Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Banks following any such purchases or repayments. Any Bank having outstanding both Committed Loans and Bid Loans at any time a right of set-off is exercised by such Bank shall apply the proceeds of such set-off first to such Bank's Committed Loans, until its Committed Loans are reduced to zero, and thereafter to its Bid Loans.

2.17 Facility LCs.

(a) Issuance. Each LC Issuer hereby agrees, on the terms and conditions set forth in this Agreement, to issue standby and commercial letters of credit (each, a "Facility LC") and to renew, extend, increase, decrease or otherwise modify each Facility LC ("Modify," and each such action a "Modification"), from time to time from and including the date of this Agreement and prior to the Revolving Termination Date upon the request of the Company; provided that immediately after each such Facility LC is issued or Modified, (i) the aggregate amount of the outstanding LC Obligations shall not exceed $25,000,000 and (ii) the Aggregate Outstanding Credit Exposure (including all Bid Loans) shall not exceed the aggregate Commitments hereunder. No Facility LC shall have an expiry date later than the earlier of (x) (other than as described in the proviso below) the fifth Business Day prior to the Revolving Termination Date and (y) one year after its issuance; provided however that on or before the 10th Business Day prior to the Revolving Termination Date, the Company shall deposit into the Facility LC Collateral Account cash collateral for the account of the applicable LC Issuer in an amount equal to 105% of the aggregate outstanding LC Obligations in respect of the Facility LCs issued by such LC Issuer with an expiry date on or after the fifth Business Day prior the Revolving Termination Date.

(b) Participations. Upon the issuance or Modification by any LC Issuer of a Facility LC in accordance with this Section 2.17, such LC Issuer shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to each Bank, and each Bank shall be deemed, without further action by any party hereto,

to have unconditionally and irrevocably purchased from such LC Issuer, a participation in such Facility LC (and each Modification thereof) and the related LC Obligations in proportion to its Pro Rata Share.

(c) Notice. Subject to Section 2.17(a), the Company shall give the applicable LC Issuer notice prior to 10:00 a.m. (Chicago time) at least five Business Days prior to the proposed date of issuance or Modification of each Facility LC, specifying the beneficiary, the proposed date of issuance (or Modification) and the expiry date of such Facility LC, and describing the proposed terms of such Facility LC and the nature of the transactions proposed to be supported thereby. Upon receipt of such notice, the applicable LC Issuer shall promptly notify the Agent, and the Agent shall promptly notify each Bank, of the contents thereof and of the amount of such Bank's participation in such proposed Facility LC. The issuance or Modification by any LC Issuer of any Facility LC shall, in addition to the conditions precedent set forth in Article IV (the satisfaction of which no LC Issuer shall have any duty to ascertain), be subject to the conditions precedent that such Facility LC shall be satisfactory to the applicable LC Issuer and that the Company shall have executed and delivered such application agreement and/or such other instruments and agreements relating to such Facility LC as the applicable LC Issuer shall have reasonably requested (each, a "Facility LC Application"). In the event of any conflict between the terms of this Agreement and the terms of any Facility LC Application, the terms of this Agreement shall control.

(d) LC Fees. The Company shall pay to the Agent, for the account of the Banks ratably in accordance with their respective Pro Rata Shares, (i) with respect to each standby Facility LC, a letter of credit fee at a per annum rate equal to the Applicable Margin for such standby Facility LC in effect from time to time multiplied by the average daily undrawn stated amount under such standby Facility LC, such fee to be payable in arrears on each Payment Date, and (ii) with respect to each commercial Facility LC, a one-time letter of credit fee in an amount equal to the Applicable Margin at such time for such commercial Facility LC multiplied by the initial stated amount (or, with respect to a Modification of any such commercial Facility LC which increases the stated amount thereof, such increase in the stated amount) thereof, such fee to be payable on the date of such issuance or increase (each such fee described in this sentence an "LC Fee"). The Company shall also pay to each LC Issuer for its own account (x) at the time of issuance of each Facility LC, a fronting fee in an amount to be agreed upon between such LC Issuer and the Company, and (y) documentary and processing charges in connection with the issuance or Modification of and draws under Facility LCs in accordance with such LC Issuer's standard schedule for such charges as in effect from time to time.

(e) Administration; Reimbursement by Banks. Upon receipt from the beneficiary of any Facility LC of any demand for payment under such Facility LC, the applicable LC Issuer shall notify the Agent and the Agent shall promptly notify the Company and each other Bank as to the amount to be paid by the applicable LC Issuer as a result of such demand and the proposed payment date (the "LC Payment Date"). The responsibility of the LC Issuers to the Company and each Bank shall be only to determine that the documents (including each demand for payment) delivered under each Facility LC in connection with such presentment shall be in conformity in all material respects with

such Facility LC. Each LC Issuer shall endeavor to exercise the same care in the issuance and administration of the Facility LCs issued by it as it does with respect to letters of credit in which no participations are granted, it being understood that in the absence of any gross negligence or willful misconduct by the applicable LC Issuer, each Bank shall be unconditionally and irrevocably liable without regard to the occurrence of any Default or any condition precedent whatsoever, to reimburse the applicable LC Issuer on demand for (i) such Bank's Pro Rata Share of the amount of each payment made by the applicable LC Issuer under each Facility LC to the extent such amount is not reimbursed by the Company pursuant to Section 2.17(f) below, plus (ii) interest on the foregoing amount to be reimbursed by such Bank, for each day from the date of the applicable LC Issuer's demand for such reimbursement (or, if such demand is made after 11:00 a.m. (Chicago time) on such date, from the next succeeding Business Day) to the date on which such Bank pays the amount to be reimbursed by it, at a rate of interest per annum equal to the Federal Funds Effective Rate for the first three days and, thereafter, at a rate of interest equal to the rate applicable to Base Rate Committed Loans.

(f) Reimbursement by Company. The Company shall be irrevocably and unconditionally obligated to reimburse the applicable LC Issuer on or before the applicable LC Payment Date for any amounts to be paid by such LC Issuer upon any drawing under any Facility LC issued by it, without presentment, demand, protest or other formalities of any kind; provided that neither the Company nor any Bank shall hereby be precluded from asserting any claim for direct (but not consequential) damages suffered by the Company or such Bank to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the applicable LC Issuer in determining whether a request presented under any Facility LC issued by it complied with the terms of such Facility LC or (ii) the applicable LC Issuer's failure to pay under any Facility LC issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. All such amounts paid by any LC Issuer and remaining unpaid by the Company shall bear interest, payable on demand, for each day until paid at a rate per annum equal to (x) the Base Rate for such day if such day falls on or before the applicable LC Payment Date and (y) the sum of 2% plus the Base Rate for such day if such day falls after such LC Payment Date. Each LC Issuer will pay to each Bank ratably in accordance with its Pro Rata Share all amounts received by it from the Company for application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Facility LC issued by such LC Issuer, but only to the extent such Bank has made payment to such LC Issuer in respect of such Facility LC pursuant to Section 2.17(e). Subject to the terms and conditions of this Agreement (including without limitation the submission of a Borrowing Notice in compliance with Section 2.03 and the satisfaction of the applicable conditions precedent set forth in Article IV), the Company may request a Committed Loan hereunder for the purpose of satisfying any Reimbursement Obligation.

(g) Obligations Absolute. The Company's obligations under this Section 2.17 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Company may have or have had against any LC Issuer, any Bank or any beneficiary of a Facility LC. The Company further agrees with the LC Issuers and the Banks that the LC Issuers and the Banks shall not be responsible for, and the Company's Reimbursement Obligation in respect of any

Facility LC shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Company, any of its Affiliates, the beneficiary of any Facility LC or any financing institution or other party to whom any Facility LC may be transferred or any claims or defenses whatsoever of the Company or of any of its Affiliates against the beneficiary of any Facility LC or any such transferee. The LC Issuers shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Facility LC. The Company agrees that any action taken or omitted by any LC Issuer or any Bank under or in connection with each Facility LC and the related drafts and documents, if done without gross negligence or willful misconduct, shall be binding upon the Company and shall not put any LC Issuer or any Bank under any liability to the Company. Nothing in this Section 2.17(g) is intended to limit the right of the Company to make a claim against any LC Issuer for damages as contemplated by the proviso to the first sentence of Section 2.17(f).

(h) Actions of LC Issuers. Each LC Issuer shall be entitled to rely, and shall be fully protected in relying, upon any Facility LC, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by such LC Issuer. Each LC Issuer shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Majority Banks as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Notwithstanding any other provision of this Section 2.17, each LC Issuer shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Majority Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks and any future holders of a participation in any Facility LC.

(i) Indemnification. The Company hereby agrees to indemnify and hold harmless each Bank, each LC Issuer and the Agent, and their respective directors, officers, agents and employees from and against any and all claims and damages, losses, liabilities, costs or expenses which such Bank, such LC Issuer or the Agent may incur (or which may be claimed against such Bank, such LC Issuer or the Agent by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Facility LC or any actual or proposed use of any Facility LC, including, without limitation, any claims, damages, losses, liabilities, costs or expenses which any LC Issuer may incur by reason of or in connection with (i) the failure of any other Bank to fulfill or comply with its obligations to any LC Issuer hereunder (but nothing herein contained shall affect any rights the Company may have against any defaulting Bank) or (ii) by reason of or on account of any LC Issuer issuing any Facility LC which specifies that the term "Beneficiary" included therein includes any successor by operation of law of the named Beneficiary, but which Facility LC does not

require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document, satisfactory to the applicable LC Issuer, evidencing the appointment of such successor Beneficiary; provided that the Company shall not be required to indemnify any Bank, any LC Issuer or the Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the willful misconduct or gross negligence of any LC Issuer in determining whether a request presented under any Facility LC complied with the terms of such Facility LC or (y) any LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Nothing in this Section 2.17(i) is intended to limit the obligations of the Company under any other provision of this Agreement.

(j) Banks' Indemnification. Each Bank shall, ratably in accordance with its Pro Rata Share, indemnify each LC Issuer, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Company) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct or any LC Issuer's failure to pay under any Facility LC issued by it after the presentation to it of a request strictly complying with the terms and conditions of the Facility LC) that such indemnitees may suffer or incur in connection with this Section 2.17 or any action taken or omitted by such indemnitees hereunder.

(k) Facility LC Collateral Account. The Company agrees that it will, upon the request of the Agent or the Majority Banks and until the final expiration date of any Facility LC and thereafter as long as any amount is payable to any LC Issuer or the Banks in respect of any Facility LC, maintain a special collateral account pursuant to arrangements satisfactory to the Agent (the "Facility LC Collateral Account") at the Agent's office at the address specified pursuant to Section 10.02, in the name of such Company but under the sole dominion and control of the Agent, for the benefit of the Banks and in which such Company shall have no interest other than as set forth in Section 8.02. The Company hereby pledges, assigns and grants to the Agent, on behalf of and for the ratable benefit of the Banks and the LC Issuers, a security interest in all of the Company's right, title and interest in and to all funds which may from time to time be on deposit in the Facility LC Collateral Account to secure the prompt and complete payment and performance of the Obligations. The Agent will invest any funds on deposit from time to time in the Facility LC Collateral Account in certificates of deposit of JPMorgan having a maturity not exceeding 30 days. Nothing in this Section 2.17(k) shall either obligate the Company, or the Agent to require the Company, to deposit any funds in the Facility LC Collateral Account or limit the right of the Agent to release any funds held in the Facility LC Collateral Account in each case other than as required by Sections 2.17(a) or 8.02.

(l) Rights as a Bank. In its capacity as a Bank, each LC Issuer shall have the same rights and obligations as any other Bank.

ARTICLE III

TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Subject to subsection 3.01(f), any and all payments by the Company to each Bank, each LC Issuer or the Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for, any Taxes. In addition, the Company shall pay all Other Taxes.

(b) Subject to subsection 3.01(f), the Company agrees to indemnify and hold harmless each Bank, each LC Issuer and the Agent for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section) paid by the Banks, the LC Issuers or the Agent and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days after the date any Bank, any LC Issuer or the Agent makes written demand therefor. If the Company in good faith determines that any such Taxes or Other Taxes for which indemnification has been sought hereunder are not due or owing or otherwise correctly assessed, each Bank, each LC Issuer or the Agent at the request of the Company, or the Company at the election of each Bank, LC Issuer or the Agent following any such request, in either case at the expense of the Company, shall by appropriate means file for a refund or otherwise contest the payment of such Taxes or Other Taxes, provided that any such filing or contest does not result in any penalty, lien or other liability to any Bank, any LC Issuer or the Agent for which the Company has not provided a satisfactory undertaking to indemnify and hold any Bank, any LC Issuer or the Agent harmless. The Banks, the LC Issuers and the Agent agree to provide reasonable cooperation to the Company in connection with any such filing or contest, at the Company's expense and, if the Company has paid any such Tax or Other Tax or compensated the Banks, the LC Issuers or Agent with respect thereto, any refund thereof shall belong and be remitted to the Company.

(c) If the Company shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder to any Bank, any LC Issuer or the Agent, then, subject to subsection 3.01(f):

(i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section) such Bank, such LC Issuer or the Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholdings been made;

(ii) the Company shall make such deductions and withholdings;

(iii) the Company shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law; and

(iv) the Company shall also pay to each Bank, each LC Issuer or the Agent for the account of such Bank or such LC Issuer, as applicable, at the time interest is paid, all additional amounts which the respective Bank or the respective LC Issuer specifies as necessary to preserve the after-tax yield such Bank or such LC Issuer would have received if such Taxes or Other Taxes had not been imposed.

(d) Within 30 days after the date of any payment by the Company of Taxes or Other Taxes, the Company shall furnish the Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to the Agent.

(e) Each Bank which is a foreign person (i.e., a person other than a United States person for United States Federal income tax purposes) agrees that:

(i) it shall, no later than the Closing Date (or, in the case of a Bank which becomes a party hereto pursuant to Section 10.08 after the Closing Date, the date upon which the Bank becomes a party hereto) deliver to the Company through the Agent two accurate and complete signed originals of Internal Revenue Service Form W-8 BEN or any successor thereto (“Form W-8 BEN”), or two accurate and complete signed originals of Internal Revenue Service Form W-8 ECI or any successor thereto (“Form W-8 ECI”), as appropriate, in each case indicating that the Bank is on the date of delivery thereof entitled to receive payments of principal, interest and fees under this Agreement free from withholding of United States Federal income tax;

(ii) if at any time the Bank makes any changes necessitating a new Form W-8 BEN or Form W-8 ECI, it shall with reasonable promptness deliver to the Company through the Agent in replacement for, or in addition to, the forms previously delivered by it hereunder, two accurate and complete signed originals of Form W-8 BEN; or two accurate and complete signed originals of Form W-8 ECI, as appropriate, in each case indicating that the Bank is on the date of delivery thereof entitled to receive payments of principal, interest and fees under this Agreement free from withholding of United States Federal income tax;

(iii) it shall, before or promptly after the occurrence of any event (including the passing of time) requiring a change in or renewal of the most recent Form W-8 BEN or Form W-8 ECI previously delivered by such Bank, deliver to the Company through the Agent two accurate and complete original signed copies of Form W-8 BEN or Form W-8 ECI in replacement for the forms previously delivered by the Bank; and

(iv) it shall, promptly upon the Company’s or the Agent’s reasonable request to that effect, deliver to the Company or the Agent (as the case may be)

such other forms or similar documentation as may be required from time to time by any applicable law, treaty, rule or regulation in order to establish such Bank’s tax status for withholding purposes.

(f) The Company will not be required to indemnify, hold harmless or pay any additional amounts in respect of United States Federal income tax pursuant to subsection 3.01(c) to any Bank for the account of any Lending Office of such Bank:

(i) if the obligation to indemnify, hold harmless or pay such additional amounts would not have arisen but for a failure by such Bank to comply with its obligations (if any) under subsection 3.01(e) in respect of such Lending Office;

(ii) if such Bank shall have delivered to the Company a Form W-8 BEN in respect of such Lending Office pursuant to subsection 3.01(e), and such Bank shall not at any time be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of such Lending Office for any reason other than a change in United States law or regulations or in the official interpretation of such law or regulations by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form W-8 BEN; or

(iii) if the Bank shall have delivered to the Company a Form W-8 ECI in respect of such Lending Office pursuant to subsection 3.01(e), and such Bank shall not at any time be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of such Lending Office for any reason other than a change in United States law or regulations or any applicable tax treaty or regulations or in the official interpretation of any such law, treaty or regulations by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form W-8 ECI.

(g) If the Company is required to pay additional amounts to any Bank, any LC Issuer or the Agent pursuant to subsection (c) of this Section, then such Bank shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to eliminate any such additional payment by the Company which may thereafter accrue, if such change in the judgment of such Bank is not otherwise disadvantageous to such Bank.

(h) Each Bank agrees to promptly notify the Company of the first written assessment of any Taxes payable by the Company hereunder which is received by such Bank, provided that failure to give such notice shall not in any way prejudice the Bank’s rights under Section 3.01 hereof. The Company shall not be obligated to pay any Taxes under Section 3.01 which are assessed against any Bank if the statute of limitations applicable thereto (as same may be extended from time to time by agreement between such Bank and the relevant Governmental Authority) has lapsed. Additionally, the

Company shall not be obligated to pay any penalties, interest, additions to tax or expenses with respect to any final assessment of Taxes against any Bank (i) unless such Bank shall have first notified the Company in writing of such final assessment, and (ii) which are attributable to periods exceeding 90 days prior to the date of receipt by the Company of such notice.

3.02 Illegality.

(a) If any Bank determines that the introduction of any Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or any central bank or other Governmental Authority has asserted that it is unlawful, for any Bank or its applicable Lending Office to make Offshore Rate Loans, then, on notice thereof by the Bank to the Company through the Agent, any obligation of that Bank to make additional Offshore Rate Loans (including in respect of any LIBOR Bid Loan as to which the Company has accepted such Bank's Competitive Bid, but as to which the Borrowing Date has not arrived) shall be suspended until the Bank notifies the Agent and the Company that the circumstances giving rise to such determination no longer exist.

(b) If a Bank determines that it is unlawful to maintain any Offshore Rate Loan, the Company shall, upon its receipt of notice of such fact and demand from such Bank (with a copy to the Agent), prepay in full such Offshore Rate Loans of that Bank then outstanding, together with interest accrued thereon and amounts required under Section 3.04, either on the last day of the Interest Period thereof, if the Bank may lawfully continue to maintain such Offshore Rate Loans to such day, or immediately, if the Bank may not lawfully continue to maintain such Offshore Rate Loan. If the Company is required to so prepay any Offshore Rate Committed Loan, then concurrently with such prepayment, the Company shall borrow from the affected Bank, and the affected Bank shall lend to the Company, in the amount of such repayment, a Base Rate Committed Loan.

(c) If the obligation of any Bank to make or maintain Offshore Rate Committed Loans has been so terminated or suspended, the Company may elect, by giving notice to the Bank through the Agent that all Loans which would otherwise be made by the Bank as Offshore Rate Committed Loans shall be instead Base Rate Committed Loans.

(d) Before giving any notice to the Agent under this Section, the affected Bank shall designate a different Lending Office with respect to its Offshore Rate Loans if such designation will avoid the need for giving such notice or making such demand and will not, in the judgment of the Bank, be illegal or otherwise disadvantageous to the Bank in such Bank's reasonable judgment.

3.03 Increased Costs and Reduction of Return.

(a) If any Bank or any LC Issuer determines that, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation after the Closing Date or (ii) the compliance by that Bank or that LC Issuer with any guideline or request from

any central bank or other Governmental Authority (whether or not having the force of law) after the Closing Date, there shall be any increase in the cost to such Bank or such LC Issuer of agreeing to make or making, funding or maintaining any Offshore Rate Loans or issuing or maintaining Facility LCs, as the case may be, then the Company shall be liable for, and shall from time to time, upon demand (with a copy of such demand to be sent to the Agent), pay to the Agent for the account of such Bank or such LC Issuer, as the case may be, additional amounts as are sufficient to compensate such Bank or such LC Issuer for such increased costs.

(b) If any Bank or any LC Issuer shall have determined that (i) the introduction after the Closing Date of any Capital Adequacy Regulation , (ii) any change after the Closing Date in any Capital Adequacy Regulation, (iii) any change after the Closing Date in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by the Bank (or its Lending Office) or any corporation controlling the Bank with any change in any Capital Adequacy Regulation after the Closing Date, affects the amount of capital required to be maintained by any Bank or any LC Issuer or any corporation controlling any Bank or any LC Issuer and (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy and such Bank's desired return on capital) determines that the amount of such capital is increased as a consequence of its Commitment, loans, credits, LC Obligations or obligations under this Agreement, then, upon demand of such Bank or such LC Issuer to the Company through the Agent, the Company shall pay to the applicable Bank or the applicable LC Issuer, as the case may be, from time to time as specified by such Bank or such LC Issuer, additional amounts sufficient to compensate such Bank or such LC Issuer for such increase.

(c) The Company shall not be obligated to pay any amounts under subsection 3.03(a) or (b) to any Bank or any LC Issuer (i) unless such Bank or such LC Issuer shall have first notified the Company in writing that it intends to seek compensation from the Company pursuant to such subsection, and (ii) which are attributable to periods exceeding 90 days prior to the date of receipt by the Company of such notice.

3.04 Funding Losses. The Company shall reimburse each Bank and hold each Bank harmless from any direct loss or expense (but excluding any consequential loss or expense) which the Bank may sustain or incur as a consequence of:

(a) the failure of the Company to make on a timely basis any payment required hereunder of principal of any Offshore Rate Loan;

(b) the failure of the Company to borrow a Bid Loan after the Agent has notified a Bank pursuant to subsection 2.06(g)(i) that its Competitive Bid has been accepted by the Company, or the failure of the Company to borrow, continue or convert a Committed Loan after the Company has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/Continuation;

(c) the failure of the Company to make any prepayment of any Committed Loan in accordance with any notice delivered under Section 2.08;

(d) the prepayment (including pursuant to Section 2.08) or payment after acceleration thereof following an Event of Default of any Offshore Rate Loan or Absolute Rate Bid Loan on a day that is not the last day of the relevant Interest Period; or

(e) the automatic conversion under the proviso contained in Section 2.04(a) or under the proviso contained in Section 2.08 of any Offshore Rate Committed Loan to a Base Rate Committed Loan on a day that is not the last day of the relevant Interest Period;

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Offshore Rate Loans or from fees payable to terminate the deposits from which such funds were obtained. For purposes of calculating amounts payable by the Company to the Banks under this Section and under subsection 3.03(a), each Offshore Rate Committed Loan made by a Bank (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the LIBO Rate by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Offshore Rate Committed Loan is in fact so funded.

3.05 Inability to Determine Rates. If the LIBO Rate applicable pursuant to subsection 2.11(a) for any requested Interest Period with respect to a proposed Offshore Rate Loan does not adequately and fairly reflect the cost to the Banks of funding such Loan, the Agent will promptly so notify the Company and each Bank. Thereafter, the obligation of the Banks to make additional Offshore Rate Loans hereunder shall be suspended until the Agent upon the instruction of the Majority Banks revokes such notice in writing. Upon receipt of such notice, the Company without cost or expense may revoke any Notice of Borrowing or Notice of Conversion/Continuation then submitted by it. If the Company does not revoke such Notice, the Banks shall make, convert or continue the Committed Loans, as proposed by the Company, in the amount specified in the applicable notice submitted by the Company, but such Committed Loans shall be made, converted or continued as Base Rate Committed Loans instead of Offshore Rate Committed Loans.

3.06 Reserves on Offshore Rate Committed Loans. The Company shall pay to each Bank, as long as such Bank shall be required under regulations of the FRB to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Offshore Rate Committed Loan equal to the actual costs of such reserves allocated to such Committed Loan by the Bank (as reasonably determined by the Bank), payable on each date on which interest is payable on such Committed Loan, provided the Company shall have received at least 30 days' prior written notice (with a copy to the Agent) of such additional interest from the Bank. If a Bank fails to give notice 30 days prior to the relevant Interest Payment Date, such additional interest shall be payable 30 days from receipt of such notice. No Bank shall be entitled to additional interest under this Section 3.06 accruing more than 90 days prior to the date of receipt by the Company of notice requesting payment thereof.

3.07 Certificates of Banks. Any Bank or any LC Issuer claiming reimbursement or compensation under this Article III shall deliver to the Company (with a copy to the Agent) a certificate setting forth in reasonable detail the amount payable to such Bank or such LC Issuer hereunder and such certificate shall be conclusive and binding on the Company in the absence of manifest error unless the Company shall have notified such Bank or such LC Issuer of its objection to such certificate (with a copy to the Agent) within 30 days of the Company's receipt of such claim.

3.08 Substitution of Banks. Upon the receipt by the Company from any Bank (an "Affected Bank") of a claim for compensation under Section 3.01, 3.02 or 3.03, the Company may: (i) request the Affected Bank to use its reasonable efforts to obtain a replacement bank or financial institution satisfactory to the Company and the Agent and meeting the qualifications of an Eligible Assignee to acquire and assume all or a ratable part of all of such Affected Bank's Committed Loans and Commitment (a "Replacement Bank"); (ii) request one or more of the other Banks to acquire and assume all or part of such Affected Bank's Committed Loans and Commitment (but no other Bank shall be required to do so); or (iii) designate a Replacement Bank. Any such designation of a Replacement Bank under clause (i) or (iii) shall be subject to the prior written consent of the Agent (which consent shall not be unreasonably withheld). Any transfer arising under this Section 3.08 shall comply with the requirements of Section 10.08 and on the date of transfer the Affected Bank shall be entitled to all sums payable to it hereunder on such date including, outstanding principal, accrued interest and fees, and other sums (including amounts payable under Section 3.04(d)) arising under the provisions of this Agreement with reference to such Committed Loans.

3.09 Survival. The agreements and obligations of the Company in this Article III shall survive the payment of all other Obligations.

ARTICLE IV

CONDITIONS PRECEDENT

4.01 Conditions to Effectiveness of Commitments and to Initial Loans. The obligation of each Bank and each LC Issuer to make its initial Credit Extension hereunder, and of each Bank to receive through the Agent the initial Competitive Bid Request, is subject to and shall become effective when the Agent shall have received on or before the Closing Date all of the following, in form and substance satisfactory to the Agent, each Bank and each LC Issuer, and in sufficient copies for each Bank and each LC Issuer:

(a) Credit Agreement; Notes. This Agreement (and, if requested, Notes for each such requesting Bank) properly executed;

(b) Resolutions; Incumbency.

(i) Copies of the resolutions of the board of directors (or appropriate committee thereof) of the Company authorizing the transactions contemplated by the Loan Documents to which it is a party, certified as of the Closing Date by the Secretary, Assistant Secretary or other appropriate officer of the Company; and

(ii) A certificate of the Secretary, Assistant Secretary or other appropriate officer of the Company certifying the names and true signatures of the officers of the Company authorized to execute, deliver and perform, this Agreement, and all other Loan Documents to be delivered by it hereunder;

(c) Organization Documents; Good Standing. Each of the following documents:

(i) the articles or certificate of incorporation and the bylaws of the Company as in effect on the Closing Date, certified by the Secretary, Assistant Secretary or other appropriate officer of the Company as of the Closing Date; and

(ii) a good standing certificate dated within five (5) days of the Closing Date for the Company from the Secretary of State (or similar, applicable Governmental Authority) of its respective state of incorporation;

(d) Legal Opinions. An opinion letter from Anthony C. Scarfone, General Counsel to the Company, addressed to the Agent, the Banks and the LC Issuers, containing opinions substantially in the form of Exhibit H;

(e) Payment of Fees. Evidence of payment by the Company of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, including any such costs, fees and expenses arising under or referenced in Section 2.12;

(f) Certificate. A certificate signed on behalf of the Company by the Company's chief executive officer, chief financial officer or treasurer, dated as of the Closing Date, stating that:

(i) the representations and warranties contained in Article V are true and correct on and as of such date, as though made on and as of such date;

(ii) no Default or Event of Default exists as of the Closing Date; and

(iii) there has occurred since December 31, 2004, no event or circumstance that has resulted or would reasonably be expected to result in a material adverse change in, or material adverse effect upon, the financial condition of the Company and its Subsidiaries taken as a whole;

(g) LC Application. If the initial Credit Extension will be the issuance of a Facility LC, a properly completed Facility LC Application.

(h) Amendment No. 1 to 2004 5-Year Credit Agreement. Evidence satisfactory to the Agent that Amendment No. 1 to the 2004 5-Year Credit Agreement shall have been duly executed by all parties thereto.

(i) Other Documents. Such other approvals, opinions, documents or materials as the Agent, any LC Issuer or any Bank may reasonably request, as well as any other information required by Section 326 of the USA PATRIOT Act of 2001 or necessary for

the Agent, any LC Issuer or any Bank to verify the identity of the Company as required by Section 326 of the USA PATRIOT Act of 2001.

4.02 Conditions to All Credit Extensions. The obligation of each Bank and each LC Issuer to make any Credit Extension to be made by it, or any Bid Loan as to which the Company has accepted the relevant Competitive Bid (including the initial Loan), or to continue or convert any Committed Loan under Section 2.04 is subject to the satisfaction of the following conditions precedent on the relevant Credit Extension Date or Conversion/Continuation Date:

(a) Notice of Borrowing or Conversion/Continuation. As to any Committed Loan, the Agent shall have received (with, in the case of the initial Loan only, a copy for each Bank) a Notice of Borrowing or a Notice of Conversion/Continuation, as applicable;

(b) Facility LC Application. As to any Facility LC, the applicable LC Issuer shall have received the Facility LC Application and all other notices specified in Section 2.17(c);

(c) Continuation of Representations and Warranties. The representations and warranties in Article V (excluding those contained in Section 5.11(b)) shall be true and correct on and as of such Credit Extension Date or Conversion/Continuation Date with the same effect as if made on and as of such Credit Extension Date or Conversion/Continuation Date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date); and

(d) No Existing Default. No Default or Event of Default shall exist or shall result from such Credit Extension or continuation or conversion.

Each Notice of Borrowing, Notice of Conversion/Continuation, Competitive Bid Request and request for issuance of a Facility LC submitted by the Company hereunder shall constitute a representation and warranty by the Company hereunder, as of the date of each such notice or request and as of each Credit Extension Date, Conversion/Continuation Date or issuance date of a Facility LC, as applicable, that the conditions in Section 4.02 are satisfied.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Agent and each Bank that:

5.01 Corporate Existence and Power. The Company and each of its Material Subsidiaries:

(a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation;

(b) has the power and authority and all governmental licenses, authorizations, consents and approvals to own its assets, carry on its business (except where the failure to

have any such governmental license, authorization, consent or approval would not reasonably be expected to have a Material Adverse Effect) and as to the Company only, to execute, deliver, and perform its obligations under the Loan Documents;

(c) is duly qualified as a foreign corporation and is licensed and in good standing under the laws of each jurisdiction except where the failure to so qualify or to be so licensed or in good standing (i) would not preclude it from enforcing its rights with respect to any of its assets or expose it to any liability and (ii) could not reasonably be expected to have a Material Adverse Effect; and

(d) is in all material respects in compliance with the Requirements of Law except to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect.

5.02 Corporate Authorization; No Contravention. The execution, delivery and performance by the Company of this Agreement and each other Loan Document to which the Company or any Material Subsidiary is party, have been duly authorized by all necessary corporate action, and do not and will not:

(a) contravene the terms of any of the Company's or such Material Subsidiary's Organization Documents;

(b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any Contractual Obligation to which the Company or such Material Subsidiary is a party or any order, injunction, writ or decree of any Governmental Authority to which the Company or such Material Subsidiary or its respective property is subject except where such conflict, breach, contravention or Lien would not reasonably be expected to have a Material Adverse Effect; or

(c) violate any Requirement of Law.

5.03 Governmental Authorization. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority, which has not been obtained by the Company and its Subsidiaries, is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Company or any of its Subsidiaries of the Agreement or any other Loan Document.

5.04 Binding Effect. This Agreement and each other Loan Document to which the Company or any of its Material Subsidiaries is a party constitute the legal, valid and binding obligations of the Company or such Material Subsidiary, as applicable, enforceable against the Company or such Material Subsidiary, as applicable, in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

5.05 Litigation. Except as specifically disclosed in Schedule 5.05, there are no actions, suits, proceedings, claims or disputes pending, or to the best knowledge of the Company,

threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against the Company, or its Subsidiaries or any of their respective properties which:

(a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby; or

(b) would reasonably be expected to have a Material Adverse Effect.

No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

5.06 No Default. At the Closing Date and at the time of any Credit Extension, no Default or Event of Default exists or would result from the incurring of any Obligations by the Company. As of the Closing Date, neither the Company nor any Subsidiary is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, would reasonably be expected to have a Material Adverse Effect, or that would, if such default had occurred after the Closing Date, create an Event of Default under subsection 8.01(e).

5.07 ERISA Compliance. Except as specifically disclosed in Schedule 5.07:

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law except where non-compliance would not reasonably be expected to result in a Material Adverse Effect. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or, if otherwise, the failure to apply for or receive a favorable determination letter would not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Company, nothing has occurred which would cause the loss of qualification the effect of which would reasonably be expected to result in a Material Adverse Effect. The Company and each ERISA Affiliate has made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan when the failure to make such contribution or when such application or extension would reasonably be expected to result in a Material Adverse Effect.

(b) There are no pending or, to the best knowledge of Company, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan which has resulted or would reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or would reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV

of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA that, in the case of any of clauses (i) through (v), would reasonably be expected to result in a Material Adverse Effect.

5.08 Use of Proceeds; Margin Regulations. The proceeds of the Credit Extensions are to be used solely for the purposes set forth in and permitted by Section 6.12 and Section 7.05. Neither the Company nor any Subsidiary is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

5.09 Title to Properties. The Company and each Subsidiary have good record and marketable title in fee simple to, or to their knowledge valid leasehold interests in, all real property necessary for the ordinary conduct of their respective businesses, except for such defects in title as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. As of the Closing Date, the property of the Company and its Subsidiaries is subject to no Liens, other than Permitted Liens.

5.10 Taxes. The Company and its Subsidiaries have filed all Federal and other material tax returns and reports required to be filed, and have paid all Federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP or where failure to file such return or to pay any such tax would not reasonably be expected to have a Material Adverse Effect. There is no proposed tax assessment against the Company or any Subsidiary that would, if made, have a Material Adverse Effect.

5.11 Financial Condition.

(a) The audited consolidated financial statements of the Company and its Subsidiaries dated December 31, 2004, and the unaudited consolidated financial statements dated March 31, 2005, and the related consolidated statements of income or operations, balance sheet and cash flows for the fiscal year or the fiscal quarter, respectively, ended on that date:

(i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, subject to ordinary, good faith year end audit adjustments in the case of such unaudited statements;

(ii) fairly present the financial condition of the Company and its Subsidiaries as of the date thereof and results of operations for the period covered thereby; and

(iii) show all material Indebtedness and other liabilities, direct or contingent, of the Company and its consolidated Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Contingent Obligations except for Indebtedness and other liabilities, the existence of which would not have a Material Adverse Effect.

(b) Since December 31, 2004, there has been no Material Adverse Effect.

5.12 Environmental Matters. The Company conducts in the ordinary course of business a review of the effect of existing Environmental Laws and existing Environmental Claims on its business, operations and properties, and as a result thereof the Company has reasonably concluded that, except as specifically disclosed in Schedule 5.12, such Environmental Laws and Environmental Claims would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.13 Regulated Entities. None of the Company, any Person controlling the Company, or any Subsidiary, is an “Investment Company” within the meaning of the Investment Company Act of 1940. The Company is not subject to any other Federal or state statute or regulation limiting its ability to incur Indebtedness.

5.14 No Burdensome Restrictions. Neither the Company nor any Subsidiary is a party to or bound by any Contractual Obligation, or subject to any restriction in any Organization Document, or any Requirement of Law, which would reasonably be expected to have a Material Adverse Effect.

5.15 Copyrights, Patents, Trademarks and Licenses, etc. Except as disclosed in Schedule 5.15, the Company or its Subsidiaries own or are licensed or otherwise have the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person except where the failure to own, be licensed to or otherwise have the right to use the same would not have a Material Adverse Effect. To the best knowledge of the Company, no material slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company or any Subsidiary infringes upon any rights held by any other Person where any such infringement would reasonably be expected to have a Material Adverse Effect. Except as specifically disclosed in Schedule 5.05, no claim or litigation regarding any of the foregoing is pending or to the knowledge of the Company threatened, which would reasonably be expected to have a Material Adverse Effect.

5.16 Subsidiaries. As of the Closing Date, the Company has no Subsidiaries other than those specifically disclosed in part (a) of Schedule 5.16 hereto and has no material equity investments in any other corporation or entity other than those specifically disclosed in part (b) of Schedule 5.16.

5.17 Insurance. The properties of the Company and its Subsidiaries are insured with financially sound and reputable insurance or reinsurance companies, in such amounts, with such

deductibles and covering such risks as are believed by the Company to be adequate in the exercise of its reasonable business judgment.

5.18 Full Disclosure. None of the representations or warranties made by the Company or any of its Subsidiaries in the Loan Documents as of the date such representations and warranties are made or deemed made, and none of the statements contained in any exhibit, financial report or statements or certificate furnished by or on behalf of the Company in connection with the Loan Documents, contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered.

5.19 Reportable Transaction. The Company does not intend to treat the Credit Extensions and related transactions as being a “reportable transaction” (within the meaning of the Treasury Regulation Section 1.6011-4). In the event the Company determines to take any action inconsistent with such intention, it will promptly notify the Agent thereof.

5.20 Solvency. After giving effect to the Credit Extensions to be made on the date such Credit Extensions are requested to be made, the Company and its Subsidiaries taken as a whole are Solvent.

5.21 Specially Designated Nationals or Blocked Persons List. None of the Company, Subsidiaries of the Company or Affiliates of the Company are named on the United States Department of the Treasury’s Specially Designated Nationals or Blocked Persons list available through http://www.treas.gov/offices/ectoffc/ofac/sdn/index.html or as otherwise published from time to time.

ARTICLE VI

AFFIRMATIVE COVENANTS

So long as any Bank shall have any Commitment hereunder, or any Loan or other Obligation (other than indemnification) shall remain unpaid or unsatisfied, unless the Majority Banks waive compliance in writing:

6.01 Financial Statements. The Company shall deliver to the Agent, in form and detail reasonably satisfactory to the Agent, with sufficient copies for each Bank:

(a) as soon as available, but not later than the date which is the earlier of (x) 120 days after the end of each fiscal year or (y) five (5) Business Days after the delivery of the following financial statements to the SEC, a copy of the audited consolidated balance sheet of the Company and its consolidated Subsidiaries as at the end of such year and the related consolidated statements of income or operations, shareholders’ equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of PriceWaterhouseCoopers LLP or another nationally-recognized independent public accounting firm (“Independent Auditor”) which report shall state that such consolidated financial statements present fairly, in all material respects, the financial position for the periods indicated in

conformity with GAAP. Such opinion shall not include any “going concern” or like qualification or exception, or any qualification or limitation because of a restricted or limited examination by the Independent Auditor of any material portion of the Company’s or any Subsidiary’s records; and

(b) as soon as available, but not later than the date which is the earlier of (x) 60 days after the end of each of the first three fiscal quarters of each fiscal year or (y) five (5) Business Days after the delivery of the following financial statements to the SEC, a copy of the unaudited consolidated balance sheet of the Company and its consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for the period commencing on the first day and ending on the last day of such quarter, and certified on behalf of the Company by a Responsible Officer as fairly presenting, in all material respects and in accordance with GAAP (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of the Company and its consolidated Subsidiaries.

6.02 Certificates; Other Information. The Company shall furnish to the Agent, with sufficient copies for each Bank:

(a) concurrently with the delivery of the financial statements referred to in subsections 6.01(a) and (b), a Compliance Certificate executed by a Responsible Officer on behalf of the Company which certifies that no Default or Event of Default has occurred and is continuing (except as described therein);

(b) promptly, copies of all financial statements and reports that the Company sends to its shareholders, and copies of all financial statements and regular, periodical or special reports (including Forms 10K, 10Q and 8K) that the Company or any Subsidiary may make to, or file with, the SEC; and

(c) promptly, such additional information regarding the business, financial or corporate affairs of the Company or any Subsidiary as the Agent, at the request of any Bank, may from time to time reasonably request and which materially relates to the ability of the Company to perform under this Agreement.

6.03 Notices. Upon obtaining knowledge of any event described below, the Company shall promptly notify the Agent and each Bank:

(a) of the occurrence of any Default or Event of Default;

(b) of any of the following matters of which a Responsible Officer obtains knowledge that would result in a Material Adverse Effect: (i) breach or non-performance of, or any default under, a Contractual Obligation of the Company or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Company or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary, including pursuant to any applicable Environmental Laws;

(c) of the occurrence of any of the following events affecting the Company or any ERISA Affiliate which would reasonably be expected to result in a Material Adverse Effect (but in no event more than 10 days after a Responsible Officer obtains knowledge of such event), and deliver to the Agent and each Bank a copy of any notice with respect to such event that is filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Company or any ERISA Affiliate with respect to such event:

(i) an ERISA Event;

(ii) a material increase in the Unfunded Pension Liability of any Pension Plan;

(iii) the adoption of, or the commencement of contributions to, any Plan subject to Section 412 of the Code by the Company or any ERISA Affiliate; or

(iv) the adoption of any amendment to a Plan subject to Section 412 of the Code, if such amendment results in a material increase in contributions or Unfunded Pension Liability;

(d) of any material change in accounting policies or financial reporting practices by the Company or any of its consolidated Subsidiaries which would reasonably be expected to materially affect the Company's consolidated financial reports; and

(e) of any change in the Company's senior unsecured long-term debt ratings as publicly announced by either S&P or Moody's including placement of such ratings on watch status, provided that any failure by the Company to give notice of such change shall not affect the Company's payment obligations hereunder and such failure shall not constitute an Event of Default.

Each notice under this Section shall be accompanied by a written statement by a Responsible Officer setting forth details of the occurrence referred to therein, and stating what action the Company or any affected Subsidiary proposes to take with respect thereto and at what time. Each notice under subsection 6.03(a) shall describe with particularity any and all provisions of this Agreement or other Loan Document (if any) that have been breached or violated.

6.04 Preservation of Corporate Existence, Etc. Except pursuant to a transaction permitted under Section 7.02 and Section 7.03, the Company shall, and shall cause each Material Subsidiary to:

(a) preserve and maintain in full force and effect its corporate existence and good standing under the laws of its state or jurisdiction of incorporation;

(b) to the extent practicable, using reasonable efforts, preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business except (x) when the non-preservation and non-maintenance of such rights, privileges,

qualifications, permits, licenses or franchises would not reasonably be expected to have a Material Adverse Effect or (y) in connection with transactions permitted by Section 7.03 and sales of assets permitted by Section 7.02;

(c) use reasonable efforts, in the ordinary course of business, to preserve its business organization and goodwill except when in the reasonable judgment of the Company it is not economical to do so or where the failure to do so would not reasonably be expected to have a Material Adverse Effect; and

(d) to the extent practicable, using reasonable efforts, preserve or renew all of its registered patents, trademarks, trade names and service marks, except when non-preservation or non-renewal of such patents, trademarks, trade names or service marks would not reasonably be expected to have a Material Adverse Effect.

6.05 Maintenance of Property. The Company shall maintain, and shall cause each Subsidiary to maintain, and preserve all its property which is used or useful in its business in good working order and condition, ordinary wear and tear and casualty loss excepted and make all necessary repairs thereto and renewals and replacements thereof except when in the reasonable judgment of the Company it is not economical to do so or where the failure to do so would not reasonably be expected to have a Material Adverse Effect. The Company and each Subsidiary shall use the standard of care typical in the industry in the operation and maintenance of its facilities except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

6.06 Insurance. The Company shall maintain, and shall cause each Material Subsidiary to maintain, with financially sound and reputable insurers or independent reinsurers, insurance with respect to its properties and business against loss or damage of the kinds and in the amounts determined by the Company to be necessary or desirable in the exercise of its reasonable business judgment.

6.07 Payment of Obligations. The Company shall, and shall cause each Subsidiary to, pay and discharge as the same shall become due and payable, all their respective obligations and liabilities, including:

(a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary or unless the failure to pay or discharge would not have a Material Adverse Effect;

(b) all lawful claims which, if unpaid, would by law become a Lien upon its property except when the failure to pay or discharge would not have a Material Adverse Effect; and

(c) all Indebtedness, as and when due and payable (except for such Indebtedness which is contested by the Company or any Subsidiary in good faith or where the failure to pay or discharge would not reasonably be expected to result in a Material Adverse

Effect), but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

6.08 Compliance with Laws. The Company shall comply, and shall cause each Subsidiary to comply, in all material respects with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act), except such as may be contested in good faith or as to which a bona fide dispute may exist or where the failure to comply would not have a Material Adverse Effect.

6.09 Compliance with ERISA. The Company shall, and shall cause each of its ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law except where non-compliance would not reasonably be expected to result in a Material Adverse Effect; and (b) make all required contributions to any Plan subject to Section 412 of the Code except where failure to make any contribution would not reasonably be expected to result in a Material Adverse Effect.

6.10 Inspection of Property and Books and Records. The Company shall maintain and shall cause each Material Subsidiary to maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Company and such Subsidiary. Subject to reasonable safeguards to protect confidential information, the Company shall permit, and shall cause each Material Subsidiary to permit, representatives and independent contractors of the Agent or any Bank to visit and inspect any of their respective properties, to examine their respective corporate, financial and operating records, and make copies thereof or abstracts therefrom, and with respect to the Company but not its Subsidiaries to discuss their respective affairs, finances and accounts with the Company's directors, senior officers, and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Company. Such inspections and examinations described in the preceding sentence (i) by or on behalf of any Bank shall, unless occurring at a time when an Event of Default shall be continuing, be at such Bank's expense and (ii) by or on behalf of the Agent, other than the first such inspection or examination occurring during any calendar year or any inspections and examination occurring at a time when an Event of Default be continuing, shall be at the Agent's expense; all other such inspections and visitations shall be at the Company's expense and at any time during normal business hours and without advance notice.

6.11 Environmental Laws. The Company shall, and shall cause each Subsidiary to, conduct its operations and keep and maintain its property in compliance with all Environmental Laws except where the failure to comply would not have a Material Adverse Effect.

6.12 Use of Proceeds. The Company shall use the proceeds of the Credit Extensions for commercial paper liquidity support and for other general corporate purposes including Acquisitions not in contravention of any Requirement of Law or any provision of this Agreement.

ARTICLE VII

NEGATIVE COVENANTS

So long as any Bank shall have any Commitment hereunder, or any Loan or other Obligation (other than indemnification) shall remain unpaid or unsatisfied, unless the Majority Banks waive compliance in writing:

7.01 Limitation on Liens. The Company shall not, and shall not suffer or permit any Subsidiary to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its property, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) any Lien existing on property of the Company or any Subsidiary on the Closing Date and set forth in Schedule 7.01 or shown as a liability on the Company's consolidated financial statements as of March 31, 2005 securing Indebtedness outstanding on such date, provided that the aggregate amount of all such Indebtedness secured by all such Liens does not exceed $10,000,000;

(b) any Lien created under any Loan Document or under any "Loan Document" as defined in the 2004 5-Year Credit Agreement;

(c) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or to the extent that non-payment thereof is permitted by Section 6.07, provided that no notice of lien has been filed or recorded under the Code;

(d) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) Liens consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(f) Liens on the property of the Company or any of its Subsidiaries securing (i) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, (ii) contingent obligations on surety and appeal bonds, and (iii) other non-delinquent obligations of a like nature; in each case, incurred in the ordinary course of business, provided all such Liens in the aggregate would not (even if enforced) cause a Material Adverse Effect;

(g) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property

subject thereto or interfere with the ordinary conduct of the businesses of the Company and its Subsidiaries;

(h) Liens on (i) assets of corporations which become Subsidiaries after the date of this Agreement, provided, however, that such Liens existed at the time the respective corporations became Subsidiaries, and (ii) any assets prior to the acquisition thereof by the Company or any Subsidiary and not created in contemplation of such acquisition, provided, however, that such Liens do not encumber any other property or assets;

(i) purchase money security interests on any property acquired or held by the Company or its Subsidiaries in the ordinary course of business, securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such property; provided that (i) any such Lien attaches to such property concurrently with or within 20 days after the acquisition thereof, (ii) such Lien attaches solely to the property so acquired in such transaction, and (iii) the principal amount of the Indebtedness secured thereby does not exceed 100% of the cost of such property;

(j) Liens securing obligations in respect of capital leases on assets subject to such leases;

(k) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Company in excess of those set forth by regulations promulgated by the FRB, and (ii) such deposit account is not intended by the Company or any Subsidiary to provide collateral to the depository institution except in either case when such deposit accounts are established or required in the ordinary course of business and would not have a Material Adverse Effect;

(l) Any extensions, renewals or replacements of the Liens permitted by clauses (a), (f), (h), (i) and (j) above; and

(m) Notwithstanding the provisions of subsections 7.01(a) through (l), there shall be permitted Liens on property (including Liens which would otherwise be in violation of such subsections), provided that the sum of the aggregate Indebtedness of the Company and its Subsidiaries secured by all Liens permitted under this subsection (m), excluding the Liens permitted under subsections (a) through (l), shall not exceed an amount equal to 15% of the Company's total consolidated assets as shown on its consolidated balance sheet for its most recent prior fiscal quarter.

7.02 Disposition of Assets. Except as otherwise permitted by any other provision of this Agreement, the Company shall not, and shall not suffer or permit any Material Subsidiary to, directly or indirectly, sell, assign, lease, convey, transfer or otherwise dispose of (whether in one or a series of transactions) any property (including accounts and notes receivable, with or without recourse) or enter into any agreement to do any of the foregoing, except:

(a) dispositions of inventory, or used, worn-out or surplus equipment, all in the ordinary course of business;

(b) dispositions on reasonable commercial terms and for fair value or which would not have a Material Adverse Effect, provided that dispositions of the stock of any Material Subsidiary shall not be permitted under this subsection (b);

(c) dispositions of property between the Company and any consolidated Subsidiary or among consolidated Subsidiaries; and

(d) other dispositions of property during the term of this Agreement (excluding dispositions permitted under subsections 7.02(a) through (c)) whose net book value in the aggregate shall not exceed 25% of the Company's total consolidated assets as shown on its consolidated balance sheet for its most recent prior fiscal quarter.

7.03 Consolidations and Mergers. The Company shall not, and shall not suffer or permit any Material Subsidiary to, merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except:

(a) any Person may merge with the Company, provided that the Company shall be the continuing or surviving corporation;

(b) any Subsidiary may merge with the Company, provided that the Company shall be the continuing or surviving corporation, or with any one or more Subsidiaries, provided that if any transaction shall be between a Subsidiary and a Wholly-Owned Subsidiary, the Wholly-Owned Subsidiary shall be the continuing or surviving corporation; and

(c) the Company or any Subsidiary may convey, transfer, lease or otherwise dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise), to the Company or one or more Wholly-Owned Subsidiaries, as the case may be.

7.04 Transactions with Affiliates. The Company shall not, and shall not suffer or permit any Subsidiary to, enter into any transaction with any Affiliate (other than a Wholly-Owned Subsidiary) of the Company, except transactions (a) entered into in good faith and (b) upon commercially reasonable terms and taking into consideration the totality of circumstances pertaining to such transaction as determined by the Company.

7.05 Use of Proceeds. The Company shall not, and shall not suffer or permit any Subsidiary to, use any portion of the Loan proceeds, directly or indirectly, in a manner which violates any applicable Requirement of Law and which would have a Material Adverse Effect (provided that this Section 7.05 shall not be deemed to permit the use of Loan proceeds in violation of any Requirement of Law applicable to any Bank). Notwithstanding the foregoing, at no time shall more than 25% of the value (as determined by a method deemed reasonable for purposes of applicable regulations relating to Margin Stock) of the Company's assets consist of Margin Stock, unless the Company has taken all necessary action so that in the event that more

than 25% of the Company's assets consist of Margin Stock there shall occur no violation of any Requirement of Law applicable to it or any Bank.

7.06 Restricted Payments. The Company shall not, and shall not suffer or permit any Subsidiary (other than a Wholly-Owned Subsidiary) to, declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of its capital stock, or purchase, redeem or otherwise acquire for value any shares of its capital stock or any warrants, rights or options to acquire such shares, now or hereafter outstanding; except that the Company or any non-Wholly-Owned Subsidiary may:

(a) declare and make dividend payments or other distributions payable solely in its common stock;

(b) purchase, redeem or otherwise acquire shares of its common stock or warrants or options to acquire any such shares with the proceeds received from the substantially concurrent issue of new shares of its common stock; and

(c) (i) in the case of the Company, declare or pay cash dividends or cash distributions to its stockholders and purchase, redeem or otherwise acquire shares of its capital stock or warrants, rights or options to acquire any such shares for cash provided, that, before and immediately after giving effect to such proposed action, no Default or Event of Default exists or would exist, and (ii) in the case of any non-Wholly-Owned Subsidiary, declare or pay cash dividends or cash distributions to its stockholders and purchase, redeem or otherwise acquire shares of its capital stock or warrants, rights or options to acquire any such shares for cash provided, that, the Company or its respective Subsidiary which owns the equity interest or interests in such Subsidiary paying such dividends or distributions or purchasing, redeeming or otherwise acquiring such shares or warrants, rights or options receives at least its proportionate share of such dividends or distributions or receives a proportionate offer to purchase, redeem or otherwise acquire such shares or warrants, rights or options, the proportionality of which in each case shall be based upon the affected class or classes of securities.

7.07 ERISA. The Company shall not, and shall not suffer or permit any of its ERISA Affiliates to: (a) engage in a prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or would reasonably be expected to result in a Material Adverse Effect; or (b) engage in a transaction that could be subject to Section 4069 or 4212(c) of ERISA and which would reasonably be expected to result in a Material Adverse Effect.

7.08 Change in Business. The Company shall not, and shall not suffer or permit any Subsidiary to, engage in any business that would substantially change the general nature of the business conducted by the Company and its consolidated Subsidiaries on the Closing Date.

7.09 Accounting Changes. The Company shall not, and shall not suffer or permit any Material Subsidiary to, make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change the fiscal year of the Company or of any such Subsidiary, if such change would reasonably be expected to result in a Material Adverse Effect.

7.10 Interest Coverage. The Company shall not permit as of the last day of any fiscal quarter (commencing with the period ending September 30, 2005), on a consolidated basis, the ratio of (i) Earnings Before Interest and Taxes to (ii) Interest Expense, to be less than 3.0 to 1.0. For purposes of this section, "Earnings Before Interest and Taxes" means as at the end of any fiscal quarter of the Company for the period of four consecutive fiscal quarters ended as at such date, the sum of (a) the consolidated net income (or net loss) of the Company and its Subsidiaries for such period as determined in accordance with GAAP, plus (b) all amounts treated as interest expense for such period to the extent included in the determination of such consolidated net income (or loss); plus (c) all taxes accrued for such period on or measured by income to the extent included in the determination of such consolidated net income (or loss); provided, however, that consolidated net income (or loss) shall be computed for the purposes of this definition without giving effect to extraordinary losses or extraordinary gains for such period; and "Interest Expense" means as at the end of any fiscal quarter of the Company for the period of four consecutive fiscal quarters ended as at such date, all amounts treated as interest expense for such period to the extent included in the determination of the Company's consolidated net income (or net loss) for such period as determined in accordance with GAAP.

7.11 Subsidiary Indebtedness. The Company shall not permit as of the last day of any fiscal quarter (commencing with the period ending March 31, 2005), the aggregate Indebtedness of its consolidated Subsidiaries to exceed $50,000,000. For purposes of this Section 7.11, the term "Indebtedness" shall be deemed to exclude Indebtedness of a Person which becomes a Subsidiary after the date hereof, provided that such excluded Indebtedness existed at the time such Person became a Subsidiary and was not created in anticipation thereof.

ARTICLE VIII

EVENTS OF DEFAULT

8.01 Event of Default. Any of the following shall constitute an "Event of Default":

(a) Non-Payment. The Company fails to pay, (i) when and as required to be paid herein, any amount of principal of any Loan, or (ii) within two (2) Business Days following written notice to the Company given by the Agent or any Bank after the same becomes due, any interest, fee, Reimbursement Obligation or any other amount payable hereunder or under any other Loan Document; or

(b) Representation or Warranty. Any representation or warranty by the Company or any Subsidiary made or deemed made herein, in any other Loan Document, or which is contained in any certificate, document or financial or other statement by the Company, any Subsidiary, or any Responsible Officer, furnished at any time under this Agreement, or in or under any other Loan Document, is incorrect in any material respect on or as of the date made or deemed made; or

(c) Specific Defaults. The Company fails to perform or observe any term, covenant or agreement contained in any of Sections 6.03(a), 6.12, 7.02, 7.03, 7.04, 7.05, 7.06, 7.09, 7.10 or 7.11; or

(d) Other Defaults. The Company fails to perform or observe (i) Section 6.01(a) hereunder and such default shall continue unremedied for a period of 5 days after the earlier of (A) the date upon which a Responsible Officer knew of such failure or (B) the date upon which written notice thereof is given to the Company by the Agent or any Bank; or (ii) any other term or covenant contained in the Agreement or any other Loan Document, and such default shall continue unremedied for a period of 30 days after the earlier of (A) the date upon which a Responsible Officer knew of such failure or (B) the date upon which written notice thereof is given to the Company by the Agent or any Bank; or

(e) Cross-Default. (i) The Company or any Material Subsidiary fails to perform or observe any condition or covenant, or any other event shall occur or condition shall exist, under (a) the 2004 5-Year Credit Agreement or (b) any other agreement or instrument relating to any Indebtedness having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $100,000,000, and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure, if the effect of such failure, event or condition is to cause such Indebtedness to be declared to be due and payable prior to its stated maturity; provided, that, with respect to any such breach occurring as a result of a change of control under any agreement or instrument evidencing such Indebtedness of a Subsidiary of more than $100,000,000 upon the acquisition of such Subsidiary, such breach shall cause an Event of Default hereunder only if such breach has not been cured or waived (or the Indebtedness related thereto prepaid in full and the related agreements and instruments shall be terminated) within three Business Days after the occurrence thereof; or (ii) if there shall occur any other default or event of default, however denominated, under any cross default provisionunder any agreement or instrument relating to any such Indebtedness of more than $100,000,000; or

(f) Insolvency; Voluntary Proceedings. The Company or any Material Subsidiary (i) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise; (ii) voluntarily ceases to conduct its business in the ordinary course; (iii) commences any Insolvency Proceeding with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing; or

(g) Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Company or any Material Subsidiary, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of the Company's or any such Material Subsidiary's properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, stayed, vacated or fully bonded within 60 days after commencement, filing, issuance or levy; (ii) the Company or any Material Subsidiary admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law involving a material portion of the Company's or such Material Subsidiary's total assets) is ordered in any Insolvency Proceeding involving the Company or any such Material

Subsidiary; or (iii) the Company or any Material Subsidiary acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its property or business; or

(h) ERISA. (i) An ERISA Event shall occur with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of $50,000,000; (ii) the aggregate amount of Unfunded Pension Liability among all Pension Plans at any time exceeds $50,000,000; or (iii) the Company or any ERISA Affiliate shall fail to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of $50,000,000 and, in the case of any of clauses (i) through (iii), such liability or failure to pay shall not have been vacated, discharged, stayed, appealed or paid within ten (10) Business Days after such liability or payment obligation arises; or

(i) Monetary Judgments. One or more non-interlocutory judgments, non-interlocutory orders, non-interlocutory decrees or arbitration awards is entered against the Company or any Material Subsidiary involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) as to any single or related series of transactions, incidents or conditions, of $50,000,000 or more, and the same shall not have been vacated, discharged, stayed or appealed within the applicable period for appeal from the date of entry thereof or paid within ten (10) Business Days after the same becomes non-appealable; or

(j) Non-Monetary Judgments. Any non-monetary judgment, order or decree is entered against the Company or any Subsidiary which does or would reasonably be expected to have a Material Adverse Effect; or

(k) Change of Control. There occurs any Change of Control. For purposes of this Section 8.01(k), (i) a “Change of Control” shall occur if any person or group of persons becomes the beneficial owner of 25% or more of the voting power of the Company for a period of 30 days or more; and (ii) the term “person” shall have the meaning set forth in Section 13(d) of the Exchange Act and the term “beneficial owner” shall have the meaning set forth in Rule 13d-3 promulgated under the Exchange Act.

8.02 Remedies. If any Event of Default occurs, the Agent shall, at the request of, or may, with the consent of, the Majority Banks,

(a) declare the obligation of each Bank to make any Loans and the obligation of each LC Issuer to issue Facility LCs to be terminated, whereupon such obligations and the corresponding Commitments of each Bank shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other Obligations and other amounts owing or

payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company;

(c) while any Default is continuing, if the Agent determines that the Collateral Shortfall Amount at such time is greater than zero, make demand on the Company to pay, and the Company will, forthwith upon such demand and without any further notice or act, pay to the Agent an amount equal to the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account;

(d) at any time or from time to time after funds are deposited in the Facility LC Collateral Account, apply such funds to the payment of the Reimbursement Obligations and any other amounts as shall from time to time have become due and payable by the Company to the Banks or the LC Issuers under the Loan Documents; and

(e) exercise on behalf of itself and the Banks all rights and remedies available to it and the Banks under the Loan Documents or applicable law;

provided, however, that upon the occurrence of any event specified in subsection (f) or (g) of Section 8.01 (in the case of clause (i) of subsection (g) upon the expiration of the 60-day period mentioned therein), (i) the obligation of each Bank to make Loans and the obligation and power of the LC Issuers to issue Facility LCs shall automatically terminate, (ii) the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and (iii) the Company will be and thereby become obligated to pay to the Agent an amount in immediately available funds, which funds shall be held in the Facility LC Collateral Account, equal to the Collateral Shortfall Amount, in each case without further act of the Agent or any Bank without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company. At any time while any Default is continuing, neither the Company nor any Person claiming on behalf of or through the Company shall have any right to withdraw any of the funds held in the Facility LC Collateral Account. After all of the Obligations have been indefeasibly paid in full and all Commitments hereunder have been terminated, any funds remaining in the Facility LC Collateral Account shall be returned by the Agent to the Company or paid to whomever may be legally entitled thereto at such time.

8.03 Rights Not Exclusive. The rights provided for in this Agreement and the other Loan Documents (whether now existing or hereafter arising) are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity.

ARTICLE IX

THE AGENT

9.01 Appointment and Authorization. Each Bank hereby irrevocably appoints, designates and authorizes the Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document,

together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agent have or be deemed to have any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agent.

9.02 Delegation of Duties. The Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

9.03 Liability of Agent. None of the Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Banks for any recital, statement, representation or warranty made by the Company or any Subsidiary or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Company or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

9.04 Reliance by Agent.

(a) The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Majority Banks (or all the Banks if specifically required hereunder) as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Banks (or all the Banks if specifically required hereunder) and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks.

(b) For purposes of determining compliance with the conditions specified in Section 4.01, each Bank 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 on or prior to the Closing Date by the Agent to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Bank.

9.05 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Agent for the account of the Banks, unless the Agent shall have received written notice from a Bank or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". The Agent will promptly notify the Banks of its receipt of any such notice. The Agent shall take such action with respect to such Default or Event of Default as may be requested by the Majority Banks in accordance with Article VIII; provided, however, that unless and until the Agent has received any such request, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Banks.

9.06 Credit Decision. Each Bank acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by the Agent hereafter taken, including any review of the affairs of the Company and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Bank. Each Bank represents to the Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Bank also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Banks by the Agent, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Company which may come into the possession of any of the Agent-Related Persons.

9.07 Indemnification. Whether or not the transactions contemplated hereby are consummated, the Banks shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), pro rata, from and against any and all Indemnified Liabilities; provided, however, that no Bank shall be liable for the payment to the Agent-Related Persons of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or

willful misconduct. Without limitation of the foregoing, each Bank shall reimburse the Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of the Agent.

9.08 Agent in Individual Capacity. JPMorgan and Wachovia Bank, National Association, and their respective Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Company and its Subsidiaries and Affiliates as though JPMorgan were not the Agent and Wachovia Bank, National Association was not the Syndication Agent and The Bank of Tokyo-Mitsubishi, Ltd. and U.S. Bank National Association were not the Documentation Agents hereunder and without notice to or consent of the Banks. The Banks acknowledge that, pursuant to such activities, JPMorgan, Wachovia Bank, National Association, The Bank of Tokyo-Mitsubishi, Ltd., U.S. Bank National Association or their respective Affiliates may receive information regarding the Company or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Subsidiary) and acknowledge that neither the Agent, the Syndication Agent, nor the Documentation Agents shall be under any obligation to provide such information to them. With respect to its Loans, each of JPMorgan, Wachovia Bank, National Association, The Bank of Tokyo-Mitsubishi, Ltd. and U.S. Bank National Association shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent, the Syndication Agent or the Documentation Agents, as applicable, and the terms “Bank” and “Banks” include each of JPMorgan, Wachovia Bank, National Association The Bank of Tokyo-Mitsubishi, Ltd. and U.S. Bank National Association, in its individual capacity. Notwithstanding anything herein to the contrary, the Arrangers, the Syndication Agent and the Documentation Agents named herein shall not have any duties or liabilities under this Agreement, except in their capacity, if any, as Banks.

9.09 Successor Agent. The Agent may, and at the request of the Company (so long as no Default or Event of Default exists at the time of such request) or the Majority Banks shall, resign as Agent upon 30 days’ notice to the Banks. If the Agent resigns under this Agreement, the Company shall appoint from among the Banks a successor agent for the Banks (unless an Event of Default then exists in which case the Majority Banks shall appoint the successor agent). If no successor agent is appointed prior to the effective date of the resignation of the Agent, the Agent may appoint, after consulting with the Banks and the Company, a successor agent from among the Banks. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Agent and the term “Agent” shall mean such successor agent and the retiring Agent’s appointment, powers and duties as Agent shall be terminated. After any retiring Agent’s resignation hereunder as Agent, the provisions of this Article IX and Sections 10.04 and 10.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor agent has accepted appointment as Agent by the date which is 30 days following a

retiring Agent’s notice of resignation, the retiring Agent’s resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Agent hereunder until such time, if any, as the Company or the Majority Banks appoint a successor agent as provided for above.

9.10 Withholding Tax.

(a) If any Bank claims exemption from withholding tax under a United States tax treaty by providing IRS Form W-8 BEN and such Bank sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Company to such Bank, such Bank agrees to notify the Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of the Company to such Bank. To the extent of such percentage amount, the Agent will treat such Bank’s IRS Form W-8 BEN as no longer valid.

(b) Subject to the requirements of this Agreement, if any Bank claiming exemption from United States withholding tax by filing IRS Form W-8 ECI with the Agent sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Company to such Bank, such Bank agrees to undertake sole responsibility for complying with the withholding tax requirements imposed by the Code.

(c) If the IRS or any other Governmental Authority of the United States or any other jurisdiction asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered, was not properly executed, or because such Bank failed to notify the Agent of a change in circumstances which rendered the exemption from withholding tax ineffective, or for any other reason) such Bank shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Agent under this subsection, together with all costs and expenses (including Attorney Costs). The obligation of the Banks under this subsection shall survive the payment of all Obligations and the resignation or replacement of the Agent.

ARTICLE X

MISCELLANEOUS

10.01 Amendments and Waivers. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Company therefrom, shall be effective unless the same shall be in writing and signed by the Majority Banks (or by the Agent at the written request of the Majority Banks) and the Company and acknowledged by the Agent, and then any such waiver and consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by the Company and each Bank affected thereby, and acknowledged by the Agent, do any of the following:

(a) increase or extend the Commitment of any Bank (or reinstate any Commitment terminated pursuant to subsection 8.02(a));

(b) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest (including, without limitation, the Applicable Utilization Margin), Facility Fees, Reimbursement Obligations, LC Fees or other material amounts due to the Banks (or any of them) or the LC Issuers (or any of them) hereunder or under any other Loan Document;

(c) reduce the principal of, or the rate of interest (including, without limitation, the Applicable Utilization Margin) specified herein on any Loan, Reimbursement Obligations or (subject to clause (ii) below) any Facility Fees, LC Fees or other amounts payable hereunder or under any other Loan Document;

(d) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Aggregate Outstanding Exposure which is required for the Banks or any of them to take any action hereunder; or

(e) amend this Section, or Section 2.14, or any provision herein providing for consent or other action by all Banks;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Majority Banks or all the Banks, as the case may be, affect the rights or duties of the Agent under this Agreement or any other Loan Document, (ii) any fee letter may be amended, or rights or privileges thereunder waived, in a writing executed by the parties thereto, (iii) no amendment, waiver or consent of any provision herein relating to the LC Issuers shall be effective without the written consent of the LC Issuers and (iv) no amendments, consents or waivers are required to effectuate the increases in Commitments pursuant to Section 2.07(b) except as provided in such Section.

10.02 Notices.

(a) All notices, requests and other communications shall be in writing (including, unless the context expressly otherwise provides, by facsimile transmission, provided that any matter transmitted by facsimile (i) shall be immediately confirmed by a telephone call to the recipient at the number specified on Schedule 10.02, and (ii) shall be followed promptly by delivery of a hard copy original thereof) and mailed, faxed or delivered, to the address or facsimile number specified for notices on Schedule 10.02; or, as directed to the Company or the Agent, to such other address as shall be designated by such party in a written notice to the other parties, and as directed to any other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent.

(b) All such notices, requests and communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered for overnight (next-day) delivery, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon the fifth Business Day after the date deposited into the U.S. mail, or if delivered, upon delivery; except that notices pursuant to Article II or IX shall not be effective until actually received by the Agent.

(c) Any agreement of the Agent, the Banks and the LC Issuers herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Company. The Agent, the Banks and the LC Issuers shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Company to give such notice and, absent gross negligence or willful misconduct, the Agent, the Banks and the LC Issuers shall not have any liability to the Company or other Person on account of any action taken or not taken by the Agent, the Banks or the LC Issuers in reliance upon such telephonic or facsimile notice. The obligation of the Company to repay the Loans and pay the Reimbursement Obligations shall not be affected in any way or to any extent by any failure by the Agent and the Banks or the LC Issuers, as the case may be, to receive written confirmation of any telephonic or facsimile notice or the receipt by the Agent and the Banks or the LC Issuers, as the case may be, of a confirmation which is at variance with the terms understood by the Agent and the Banks or the LC Issuers to be contained in the telephonic or facsimile notice.

10.03 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent, any Bank or any LC Issuer, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

10.04 Costs and Expenses. The Company shall:

(a) pay or reimburse the Agent within five Business Days after demand for all reasonable costs and expenses incurred by the Agent in connection with the development, preparation, documentation negotiation, syndication, distribution, administration and closing of this Agreement and the Loan Documents and any other documents prepared in connection therewith (whether or not closing occurs), and the administration of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Agreement, any Loan Document and any such other documents, including reasonable Attorney Costs incurred by the Agent with respect thereto; and

(b) pay or reimburse the Agent, the Arrangers and each Bank within five Business Days after demand for all reasonable costs and expenses (including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Loan Document during the existence of an Event of Default or after acceleration of the Loans (including in connection with any “workout” or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceeding).

10.05 Indemnity. Whether or not the transactions contemplated hereby are consummated, the Company shall indemnify and hold the Agent-Related Persons, each Bank and each LC Issuer and each of its respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an “Indemnified Person”) harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, fines, expenses and disbursements (including reasonable Attorney Costs) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans and

the termination, resignation or replacement of the Agent or replacement of any Bank) result from an action, suit, proceeding or claim asserted against any such Indemnified Person by any Person not entitled to indemnification under this section in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein or any act or omission of the Company contrary to the representations made in Section 5.21, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of this Agreement, the Loans or any Facility LC or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided, however, that the Company shall not be liable to any Indemnified Person for any portion of such Indemnified Liabilities resulting from such Indemnified Person's gross negligence or willful misconduct. In the event this indemnity is unenforceable as a matter of law as to a particular matter or consequence referred to herein, it shall be enforceable to the full extent permitted by law. Promptly upon receipt of notice of the making of any claim or the initiation of any action, suit, or proceeding (together, "Dispute"), the Indemnified Person shall, if a claim in respect thereof is to be made against the Company hereunder, notify the Company in writing thereof, provided that any failure to provide such notice shall not excuse the Company from its obligations under this Section, except to the extent that such failure to notify shall have materially prejudiced the Company's position. The Company shall have the right at its expense to control the defense of any Dispute, provided the Company has delivered prompt notice to the Indemnified Person expressly agreeing to assume the defense thereof and reaffirming its obligation to indemnify and hold harmless hereunder, with nationally-recognized counsel selected by the Company, but reasonably satisfactory to the Indemnified Person. In such event, the Company shall promptly notify the Indemnified Person of any and all material developments in such Dispute and the Company shall not agree to any settlement or material stipulation in such Dispute without the prior written consent of the Indemnified Person (such consent not to be unreasonably withheld). Notwithstanding the foregoing, if in the reasonable judgment of the Indemnified Person, there may exist bona fide legal defenses available to it relating to the Dispute which conflict with those of the Company or another Indemnified Person, such Indemnified Person shall have the right to select separate counsel, at the expense of the Company, to assert such legal defenses and otherwise participate in the legal defense of such Dispute on behalf of such Indemnified Person. Notwithstanding the foregoing, no Dispute subject to this paragraph shall be settled without the Company's prior consent, not to be unreasonably withheld; provided, however, that any Indemnified Person may settle any such Dispute without the Company's consent if (a) the market reputation of JPMorgan or its Affiliates, or any Bank or its Affiliates which becomes an Indemnified Person under this Section 10.05, or the relationship of any of such Persons with their applicable state or federal regulators, in the judgment of such Persons, is being or foreseeably will be materially impaired as a result of the continuation of such Dispute, or (b) such Dispute involves or relates to any allegation of criminal wrongdoing, or (c) the Company is disputing its obligation to indemnify under this Section, or (d) the Company has failed to respond to any request for such consent within 10 days of its receipt of written notice of such proposed settlement. No Indemnified Person shall have any liability to the Company or any of its Affiliates for any indirect or consequential damages in connection with its activities related to this Agreement. The agreements in this Section shall survive payment of all other Obligations and the termination of the Commitments.

10.06 Payments Set Aside. To the extent that the Company makes a payment to the Agent, the Banks or the LC Issuers, or the Agent, the Banks or the LC Issuers exercise their right of set-off, and such payment or the proceeds of such set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Agent, such Bank or such LC Issuer in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any Insolvency Proceeding or otherwise, then (a) to the extent of such recovery the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Bank severally agrees to pay to the Agent upon demand its pro rata share or other applicable share of any amount so recovered from or repaid by the Agent.

10.07 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Agent and each Bank and no Bank shall assign any of its rights or obligations hereunder except in accordance with Section 10.08.

10.08 Assignments, Participations, etc.

(a) Any Bank may, with the written consent of the Company at all times other than during the existence of an Event of Default, and any LC Issuer and the Agent, which consents shall not be unreasonably withheld or delayed, at any time assign and delegate to one or more Eligible Assignees (provided that (i) no written consent of the Company or the Agent shall be required in connection with any assignment and delegation by a Bank to an Eligible Assignee that is an Affiliate of such Bank, and (ii) the written consent of the LC Issuers shall be required for each assignment and delegation) (each an "Assignee") all, or any ratable part of all, of such Bank's Outstanding Credit Exposure, the Commitment and the other rights and obligations of such Bank hereunder, in a minimum amount of $5,000,000 (or such lesser amount as the Company and the Agent may consent); provided, however, that the Company and the Agent may continue to deal solely and directly with such Bank in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have been given to the Company and the Agent by such Bank and the Assignee; (ii) such Bank and its Assignee shall have delivered to the Company and the Agent an Assignment and Acceptance in the form of Exhibit I ("Assignment and Acceptance") and (iii) the assignor Bank or Assignee has paid to the Agent a processing fee in the amount of $3,500, provided that in the case of a transfer under Section 3.08, the assignor Bank shall not be obligated to pay such processing fee.

(b) From and after the date that the Agent notifies the Company and the assignor Bank that it has received an executed Assignment and Acceptance which has been consented to by the Agent, the LC Issuers and by the Company (if required), and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a

Bank under the Loan Documents, and (ii) the assignor Bank shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Documents.

(c) Within five Business Days after its receipt of notice by the Agent that it has received an executed Assignment and Acceptance and payment of the processing fee (and provided that the Agent, the LC Issuers and the Company consent to such assignment in accordance with subsection 10.08(a), to the extent required), the Company shall, if requested, execute and deliver to the Agent Notes for the Assignee (if the Assignee was not previously a Bank under this Agreement) and, if the assignor Bank is not retaining any interest in this Agreement such assignor Bank shall promptly cancel and return its Notes to the Agent for return to the Company. Immediately upon each Assignee's making its processing fee payment under the Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Bank pro tanto.

(d) Any Bank may, with the written consent of the Company at all times other than during the existence of an Event of Default, which consent shall not be unreasonably withheld, at any time sell to one or more Eligible Assignees (a "Participant") participating interests in any Outstanding Credit Exposure of such Bank, the Commitment of that Bank and the other interests of that Bank (the "originating Bank") hereunder and under the other Loan Documents; provided, however, that (i) the originating Bank's obligations under this Agreement shall remain unchanged, (ii) the originating Bank shall remain solely responsible for the performance of such obligations, (iii) the Company and the Agent shall continue to deal solely and directly with the originating Bank in connection with the originating Bank's rights and obligations under this Agreement and the other Loan Documents, (iv) no Bank shall transfer or grant any participating interest under which the Participant has rights to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment, consent or waiver would require unanimous consent of the Banks as described in the first proviso to Section 10.01 and (v) with respect to the sale of participating interests in any Bid Loan to any Participant, (x) the Company's consent shall not be required and (y) the Participant need not be an Eligible Assignee. In the case of any such participation, the Participant shall not have any rights under this Agreement, or any of the other Loan Documents, and all amounts payable by the Company hereunder shall be determined as if such Bank had not sold such participation.

(e) Each Bank agrees to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information identified as "confidential" or "secret" by the Company and provided to it by the Company or any Subsidiary, or by the Agent on such Company's or Subsidiary's behalf, under this Agreement or any other Loan Document, and neither it nor any of its Affiliates shall disseminate such information except on a "need to know" basis to employees of such Bank or Affiliate, as the case may

be, and their respective representatives or use any such information other than in connection with or in enforcement of this Agreement and the other Loan Documents; except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by the Bank, or (ii) was or becomes available on a non-confidential basis from a source other than the Company, provided that such source is not bound by a confidentiality agreement with the Company known to the Bank; provided, however, that any Bank may disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which the Bank is subject or in connection with an examination of such Bank by any such authority; (B) pursuant to subpoena or other court process (provided that such Bank shall promptly notify the Company of any such subpoena or process, unless it is legally prohibited from doing so, and cooperate with the Company at the Company's expense in obtaining a suitable order protecting the confidentiality of such information); (C) when required to do so in accordance with the provisions of any applicable Requirement of Law; (D) to the extent reasonably required in connection with any litigation or proceeding to which the Agent, any Bank or their respective Affiliates may be party provided that such Bank will promptly notify the Company of any such disclosure and use reasonable efforts at the Company's expense to obtain a suitable order protecting the confidentiality of such information; (E) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document; (F) to such Bank's independent auditors and other professional advisors; and (G) to any Affiliate of such Bank, or to any Participant or Assignee, actual or (provided that there exists no Event of Default, with the written consent of the Company,) potential, provided that such Affiliate, Participant or Assignee agrees in writing to keep such information confidential to the same extent required of the Banks hereunder. Notwithstanding anything to the contrary set forth herein or in any other agreement to which the parties hereto are parties or by which they are bound, the obligations of confidentiality contained herein and therein (the "Confidentiality Obligations"), as they relate to the transactions contemplated by this Agreement, shall not apply to the "tax structure" or "tax treatment" of the transactions contemplated by this Agreement (as these terms are used in Section 1.6011-4(b)(3) (or any successor provision) of the Treasury Regulations (the "Confidentiality Regulation") promulgated under Section 6011 of the Internal Revenue Code of 1986, as amended); and each party hereto (and any employee, representative, or agent of any party hereto) may disclose to any and all persons, without limitation of any kind, the "tax structure" and "tax treatment" of the transactions contemplated by this Agreement (as these terms are defined in the Confidentiality Regulation). In addition, each party hereto acknowledges that it has no proprietary or exclusive rights to any tax matter or tax idea related to the transactions contemplated by this Agreement.

(f) Notwithstanding any other provision in this Agreement, without consent of the Company, any Bank may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement and any Note held by it (i) in favor of any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR §203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law, and (ii) to any direct or indirect counterparties in credit derivative transactions relating to the Loans for the purpose of the physical settlement of such transaction. If requested by any such Bank

for purposes of this subsection 10.08(f), the Company shall execute and deliver Notes to such Bank.

10.09 Set-off. In addition to any rights and remedies of the Banks provided by law, if an Event of Default exists, each Bank is authorized at any time and from time to time, without prior notice to the Company, any such notice being waived by the Company to the fullest extent permitted by law, to set off and apply any and all deposits (general or

special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Bank to or for the credit or the account of the Company against any and all Obligations owing to such Bank, now or hereafter existing, irrespective of whether or not the Agent or such Bank shall have made demand under this Agreement or any Loan Document and although such Obligations may be contingent or unmatured. In the event of any inconsistency between this section and any agreement governing deposits maintained by the Company with any Bank, this Section shall control with respect to set-offs affecting this Agreement. Each Bank agrees promptly to notify the Company and the Agent after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

10.10 Notification of Addresses, Lending Offices, Etc. Each Bank and each LC Issuer shall notify the Agent in writing of any changes in the address to which notices to the Bank should be directed, of addresses of any Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as the Agent shall reasonably request.

10.11 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument.

10.12 Severability. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

10.13 No Third Parties Benefited. This Agreement is made and entered into for the sole protection and legal benefit of the Company, the Banks, the LC Issuers, the Agent and the Agent-Related Persons, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents.

10.14 Governing Law and Jurisdiction.

(a) THIS AGREEMENT (AND THE NOTES) SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK; PROVIDED THAT THE AGENT, THE BANKS AND THE LC ISSUERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE

COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE COMPANY, THE AGENT, THE BANKS AND THE LC ISSUERS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE COMPANY, THE AGENT, THE BANKS AND THE LC ISSUERS IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO.

10.15 Waiver of Jury Trial. THE COMPANY, THE BANKS, THE LC ISSUERS AND THE AGENT EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE COMPANY, THE BANKS AND THE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

10.16 Entire Agreement. This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the Company, the Banks, the LC Issuers and the Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

10.17 USA PATRIOT ACT NOTIFICATION.

The following notification is provided to the Company pursuant to Section 326 of the USA PATRIOT Act of 2001, 31 U.S.C. Section 5318:

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT. To help the government fight the funding of terrorism and money laundering

activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person or entity that opens an account, including any deposit account, treasury management account, loan, other extension of credit, or other financial services product. What this means for the Company: When Company opens an account, the Agent, the LC Issuers and the Banks will ask for Company’s name, tax identification number, business address, and other information that will allow the Agent, the LC Issuers and the Banks to identify the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

DELUXE CORPORATION

By: /s/ Raj K. Agrawal

Name: Raj K. Agrawal
Title: Vice President and Treasurer

Federal Employer Identification Number:
41-0216880

JPMORGAN CHASE BANK, N.A. (successor by merger to Bank One, NA (Main Office Chicago)), individually, as Agent and as an LC Issuer

By: /s/ Sabir A. Hashmy

Name: Sabir A. Hashmy
Title: Vice President

SIGNATURE PAGE TO
AMENDED AND RESTATED 5-YEAR REVOLVING CREDIT AGREEMENT DATED JULY 2005

WACHOVIA BANK, NATIONAL ASSOCIATION
individually and as Syndication Agent

By: /s/ Andy L. Welicky

Name: Andy L. Welicky
Title: Assistant Vice President

SIGNATURE PAGE TO
AMENDED AND RESTATED 5-YEAR REVOLVING CREDIT AGREEMENT DATED JULY 2005

THE BANK OF TOKYO-MITSUBISHI, LTD.,
CHICAGO BRANCH, individually and as
a Co-Documentation Agent

By: /s/ Tsuguyuki Umene

Name: Tsuguyuki Umene
Title: Deputy General Manager

U.S. BANK NATIONAL ASSOCIATION,
Individually and as a Co-Documentation Agent

By: /s/ Christopher W. Rupp

Name: Christopher W. Rupp
Title: Vice President

SIGNATURE PAGE TO
AMENDED AND RESTATED 5-YEAR REVOLVING CREDIT AGREEMENT DATED JULY 2005

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Patrick McCue

Name: Patrick McCue
Title: Vice President

By: /s/ Allison Gelfman

Name: Allison Gelfman
Title: Vice President

SIGNATURE PAGE TO
AMENDED AND RESTATED 5-YEAR REVOLVING CREDIT AGREEMENT DATED JULY 2005

THE BANK OF NEW YORK

By: /s/ Walter C. Parelli

Name: Walter C. Parelli
Title: Vice President

THE NORTHERN TRUST COMPANY

By: /s/ Melissa A. Whitman

Name: Melissa A. Whitman
Title: Senior Vice President

SIGNATURE PAGE TO
AMENDED AND RESTATED 5-YEAR REVOLVING CREDIT AGREEMENT DATED JULY 2005

CREDIT SUISSE, Cayman Islands Branch

By: /s/ Bill O'Daly

Name: Bill O'Daly
Title: Director

By: /s/ Cassandra Droogan

Name: Cassandra Droogan
Title: Associate

SIGNATURE PAGE TO
AMENDED AND RESTATED 5-YEAR REVOLVING CREDIT AGREEMENT DATED JULY 2005

FIFTH THIRD BANK

By: /s/ Ann-Drea Burns

Name: Ann-Drea Burns
Title: AVP

SIGNATURE PAGE TO
AMENDED AND RESTATED 5-YEAR REVOLVING CREDIT AGREEMENT DATED JULY 2005

SOVEREIGN BANK

By: /s/ Greg Batsevitsky

Name: Greg Batsevitsky
Title: Vice President

SIGNATURE PAGE TO
AMENDED AND RESTATED 5-YEAR REVOLVING CREDIT AGREEMENT DATED JULY 2005

BNP PARIBAS

By: /s/ Curt Price

Name: Curt Price
Title: Managing Director

By: /s/ Gaye Plunkett

Name: Gaye Plunkett
Title: Vice President

NATIONAL CITY BANK OF THE MIDWEST

By: /s/ Jon R. Hinard

Name: Jon R. Hinard
Title: Senior Vice President

THE BANK OF NOVA SCOTIA

By: /s/ N. Bell

Name: N. Bell
Title: Sr. Manager

ANNEX I

PRICING GRID

Amended and Restated 5-Year Revolving Credit Pricing Grid

Status	Level I	Level II	Level III	Level IV	Level V
Applicable Facility Fee Rate	0.080%	0.085%	0.090%	0.115%	0.175%
Applicable Utilization Margin	0.100%	0.100%	0.100%	0.125%	0.125%
LIBO Rate Applicable Margin	0.220%	0.265%	0.360%	0.385%	0.450%
Base Rate Applicable Margin	0.000%	0.000%	0.000%	0.000%	0.000%
Commercial LC Fee Rate	0.110%	0.1325%	0.180%	0.1925%	0.225%
Standby LC Fee Rate	0.220%	0.265%	0.360%	0.385%	0.450%

For the purposes of this Schedule, the following terms have the following meanings, subject to the final paragraph of this Schedule:

"Level I Status" exists at any date if, on such date, the Company's Moody's Rating is A2 or better *or* the Company's S&P Rating is A or better.

"Level II Status" exists at any date if, on such date, (i) the Company has not qualified for Level I Status and (ii) the Company's Moody's Rating is A3 or better *or* the Company's S&P Rating is A- or better.

"Level III Status" exists at any date if, on such date, (i) the Company has not qualified for Level I Status or Level II Status and (ii) the Company's Moody's Rating is Baa1 or better *or* the Company's S&P Rating is BBB+ or better.

"Level IV Status" exists at any date if, on such date, (i) the Company has not qualified for Level I Status, Level II Status or Level III Status and (ii) the Company's Moody's Rating is Baa2 or better *or* the Company's S&P Rating is BBB or better.

"Level V Status" exists at any date if, on such date, the Company has not qualified for Level I Status, Level II Status, Level III Status or Level IV Status.

"Moody's Rating" means, at any time, the rating issued by Moody's Investors Service, Inc. and then in effect with respect to the Company's senior unsecured long-term debt securities without third-party credit enhancement.

"Rating" means Moody's Rating or S&P Rating.

"S&P Rating" means, at any time, the rating issued by Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., and then in effect with respect to the Company's senior unsecured long-term debt securities without third-party credit enhancement.

"Status" means Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status.

The Applicable Margins, the Applicable Facility Fee Rate, the Applicable Utilization Margin, the applicable Commercial LC Fee Rate and the applicable Standby LC Fee Rate shall be determined in accordance with the foregoing table based on the Company's Status as determined from its then-current Moody's or S&P Rating. If the Company is split-rated and the ratings differential is two levels or more, the intermediate rating at the midpoint will apply. If there is no midpoint, the higher of the two intermediate ratings will apply. The credit rating in effect on any date for the purposes of this Schedule is that in effect at the close of business on such date. Unless Moody's or S&P, as applicable, shall cease generally to issue public ratings with respect to senior unsecured long-term debt securities without third-party credit enhancement (in which event the Applicable Margins, the Applicable Facility Fee Rate, the Applicable Utilization Margin, the applicable Commercial LC Fee Rate and the applicable Standby LC Fee Rate shall be determined in accordance with the foregoing table based on the Company's Status as determined from its then-current and available Moody's or S&P Rating, as applicable), if the Company does not have both a Moody's Rating and an S&P Rating, Level V Status shall apply.

ANNEX I

SCHEDULE 2.01

LIST OF COMMITMENTS AND PRO RATA SHARES

BANK	COMMITMENT	PRO RATA SHARE
JPMORGAN CHASE BANK, N.A	$ 35,000,000	12.727%
WACHOVIA BANK, NATIONAL ASSOCIATION	$ 35,000,000	12.727%
THE BANK OF TOKYO-MITSUBISHI, LTD.	$ 30,000,000	10.909%
U.S. BANK NATIONAL ASSOCIATION	$ 30,000,000	10.909%
WELLS FARGO BANK, NATIONAL ASSOCIATION	$ 25,000,000	9.091%
THE BANK OF NEW YORK	$ 25,000,000	9.091%
THE NORTHERN TRUST COMPANY	$ 16,250,000	5.909%
CREDIT SUISSE FIRST BOSTON	$ 16,250,000	5.909%
FIFTH THIRD BANK	$ 16,250,000	5.909%
SOVEREIGN BANK	$ 16,250,000	5.909%
BNP PARIBAS	$ 10,000,000	3.636%
NATIONAL CITY BANK	$ 10,000,000	3.636%
THE BANK OF NOVA SCOTIA	$ 10,000,000	3.636%
TOTAL	$275,000,000	100%

SCHEDULES

SCHEDULE 5.05

LITIGATION

NONE.

SCHEDULE 5.07

ERISA MATTERS

NONE.

SCHEDULES

SCHEDULE 5.12

ENVIRONMENTAL MATTERS

NONE.

SCHEDULE 5.15

COPYRIGHTS, PATENTS, TRADEMARKS AND LICENSES

NONE.

SCHEDULE 5.16

LIST OF SUBSIDIARIES AND MATERIAL EQUITY INVESTMENTS

(a) SUBSIDIARIES	DOMICILE	OWNERSHIP
Deluxe Enterprise Operations, Inc.	Minnesota	100%
Deluxe Financial Services, Inc.	Minnesota	100%
Deluxe Manufacturing Operations, Inc.	Minnesota	100%
Deluxe Small Business Sales, Inc.	Minnesota	100%
Direct Checks Unlimited, LLC	Colorado	100%
Direct Checks Unlimited Sales, Inc.	Colorado	100%
DLX Check Printers, Inc.	Minnesota	100%
DLX Check Texas, Inc.	Minnesota	100%
Deluxe Financial Services Texas L.P.		
Paper Payment Services, LLC	Minnesota	100%
Plaid Moon, Inc.	Minnesota	100%
PPS Holding Company, Inc.	Minnesota	100%
Chiswick, Inc.	Massachusetts	100%
McBee Systems, Inc.	Colorado	100%
McBee Systems Ohio, Inc.	Minnesota	100%
New England Business Service, Inc.	Delaware	100%
NEBS Payroll Services, Inc.	Minnesota	100%
PremiumWear, Inc.	Delaware	100%
Rapidforms, Inc.	New Jersey	100%
Russell and Miller, Inc.	Delaware	100%
Safeguard Business Systems, Inc.	Delaware	100%
Stephen Fossler Company	Delaware	100%
Veripack, Inc.	Delaware	100%
NEBS Business Stationery Limited	UK	100%
Shirlite Limited	UK	100%
Sigma Afterprint Services Limited	UK	100%
DGBS UK Forms Limited	UK	100%
DGBS UK Holdings Limited	UK	100%
NEBS Business Products Limited	Ontario CANADA	100%
NEBS Payroll Service Limited	Ontario CANADA	100%
Safeguard Business Systems Limited	Ontario CANADA	100%

(b) MATERIAL EQUITY INVESTMENTS		
Deluxe Mexicana S.A. de C.V	Mexico	50%

SCHEDULE 7.01

EXISTING LIENS

None.

SCHEDULE 10.02

OFFSHORE AND DOMESTIC LENDING OFFICES, ADDRESSES FOR NOTICES

DELUXE CORPORATION

Address for Notices

3680 Victoria Street North
Shoreview, MN 55126
Attention: Raj Agrawal, Vice President and Treasurer
Telephone: (651) 787-1068
Facsimile: (651) 787-1566
With a copy to:

3680 Victoria Street North
Shoreview, MN 55126
Attention: Anthony C. Scarfone, General Counsel
Telephone: (651) 483-7122
Facsimile: (651) 787-2749

JPMORGAN CHASE BANK, N.A. as Agent

Notices for Borrowing, Conversions/Continuations, and Payments

JPMorgan Chase Bank, N.A.
One JPMorgan Plaza
Chicago, IL 60670
Attention: Erica Lowe
Telephone: (312) 732-6137
Facsimile: (312) 732-4303

Address for Notices other than Borrowing:

JPMorgan Chase Bank, N.A.
111 E. Wisconsin Ave.
Milwaukee, WI 53202

Attention: Anthony Maggiore
Telephone: (414) 765-3111
Facsimile: (414) 765-2625

SCHEDULES

EXHIBIT A

FORM OF TRANSMITTAL LETTER/COMPLIANCE CERTIFICATE

DELUXE CORPORATION

Financial Statements Date: ______________

Reference is made to that certain Amended and Restated 5-Year Revolving Credit Agreement dated as of July 20, 2005 (as extended, renewed, amended or restated from time to time, the "Credit Agreement"), among Deluxe Corporation (the "Company"), the several financial institutions from time to time party thereto (the "Banks") and JPMorgan Chase Bank, N.A., as Agent (in such capacity, the "Agent") and as an LC Issuer. Unless otherwise defined herein, capitalized terms used herein have the respective meanings assigned to them in the Credit Agreement.

[Use the following if this Transmittal Letter/Certificate is delivered in connection with the financial statements required by subsection 6.01(a) of the Credit Agreement.]

Transmittal Letter

Pursuant to subsection 6.01(a) of the Credit Agreement, attached hereto are true copies of the audited consolidated balance sheet of the Company and its consolidated Subsidiaries as at the end of the fiscal year ended _______________ and the related consolidated statements of income or operations, shareholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, accompanied by the opinion of the Independent Auditor, which report states that such consolidated financial statements present fairly, in all material respects, the financial position for the periods indicated in conformity with GAAP.

Certificate

The undersigned hereby certifies that he/she is a Responsible Officer as defined in the Credit Agreement and hereby certifies as of the date hereof on behalf of the Company and its consolidated Subsidiaries that:

1. No Default or Event of Default has occurred and is continuing, except as described in Attachment 1 hereto.

2. The computations set forth below are true and correct as of _________________, ____, the last day of the accounting period for which the aforesaid financial statements were prepared.

3. If the financial statements of the Company being concurrently delivered were not prepared in accordance with GAAP, Attachment 2 hereto sets forth any derivations required to conform the relevant data in such financial statements to the computations set forth below.

---

4. There have been no changes in accounting policies or financial reporting practices of the Company or any of its Subsidiaries since the date of the last compliance certificate delivered to you, except as described in Attachment 3 hereto.

IN WITNESS WHEREOF, the undersigned has executed this Certificate on behalf of the Company (and not personally) as the ____________ of the Company as of ______________, _______.

DELUXE CORPORATION

By: ______________________________

Title: ______________________________

[Use the following paragraph if this Certificate is delivered in connection with the financial statements required by subsection 6.01(b) of the Credit Agreement.]

Certificate

The undersigned hereby certifies that he/she is a Responsible Officer as defined in the Credit Agreement and hereby certifies as of the date hereof on behalf of the Company and its Consolidated Subsidiaries, and that:

1. Pursuant to Section 6.01(b) of the Credit Agreement, attached hereto are true copies of the unaudited consolidated balance sheet of the Company and its consolidated Subsidiaries as of the end of the fiscal quarter ended _________ and the related consolidated statements of income and cash flows for the period commencing on the first day and ending on the last day of such quarter, which fairly present in all material respects and in accordance with GAAP (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of the Company and its consolidated Subsidiaries.

2. No Default or Event of Default has occurred and is continuing, except as described in Attachment 1 hereto.

3. The computations set forth below are true and correct as of _________________, ____, the last day of the accounting period for which the aforesaid financial statements were prepared.

4. If the financial statements of the Company being concurrently delivered were not prepared in accordance with GAAP, Attachment 2 hereto sets forth any derivations required to conform the relevant data in such financial statements to the computations set forth below.

5. There have been no changes in accounting policies or financial reporting practices of the Company or any of its Subsidiaries since the date of the last compliance certificate delivered to you, except as described in Attachment 3 hereto.

IN WITNESS WHEREOF, the undersigned has executed this Certificate on behalf of the Company (and not personally) as the ____________ of the Company as of ______________, _______.

DELUXE CORPORATION

By: ________________________________

Title: ________________________________

SCHEDULE 1
to the Compliance Certificate

Dated _______________ / For the fiscal quarter ended ___________.

	Actual	Required/Permitted
I. Section 7.10 – Interest Coverage		
(a) EBIT		
(i) consolidated net income	___________	
(ii) interest expense	+__________	
(iii) taxes	+__________	
(iv) extraordinary losses	+__________	
(v) extraordinary gains	-__________	
(vi) Earnings Before Interest and Taxes	=__________	
(b) Interest Expense	___________	
(c) Ratio of (a)(vi) Earnings Before Interest and Taxes to (b) Interest Expense under Section 7.10	_____ to 1.00	Not less than 3.00 to 1.00 (measured as of the last day of any fiscal quarter)
II. Section 7.11 – Subsidiary Indebtedness		
Aggregate Indebtedness of Company's consolidated Subsidiaries	___________	Not greater than $50,000,000 (measured as of the last day of any fiscal quarter)

EXHIBIT B

FORM OF NOTICE OF BORROWING

Date: ______________

To: JPMorgan Chase Bank, N.A.
as Agent

Ladies and Gentlemen:

The undersigned, Deluxe Corporation (the "Company"), refers to the Amended and Restated 5-Year Revolving Credit Agreement, dated as of July 20, 2005 (as extended, renewed, amended or restated from time to time, the "Credit Agreement"), among the Company, the several financial institutions from time to time party thereto (the "Banks") and JPMorgan Chase Bank, N.A., as Agent (the "Agent") and as an LC Issuer, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably, pursuant to Section 2.03 of the Credit Agreement, of the Committed Borrowing specified below:

1. The Business Day of the proposed Committed Borrowing is _______________.

2. The aggregate amount of the proposed Committed Borrowing is $_____________________.

3. The Committed Borrowing is to be comprised of $___________ of [Offshore Rate] [Base Rate] Committed Loans.

4. [If applicable:] The duration of the Interest Period for the Offshore Rate Committed Loans included in the Committed Borrowing shall be _____ months.

5. As of the date hereof, the current senior credit rating established or deemed established for the Company by Moody's and S&P is _________ for Moody's and _________ for S&P.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the proposed Committed Borrowing, before and after giving effect thereto and to the application of the proceeds therefrom:

1. the representations and warranties of the Company contained in Article V of the Credit Agreement (excluding those contained in Section 5.11(b) of the Credit Agreement) are true and correct as though made on and as of such date, except to the extent such representations and warranties expressly refer to an earlier date, in which case they are true and correct as of such date;

2. no Default or Event of Default has occurred and is continuing, or would result from such proposed Committed Borrowing;

3. after giving effect to the proposed Committed Borrowing the Aggregate Outstanding Credit Exposure does not exceed the aggregate Commitments under the Credit Agreement.

DELUXE CORPORATION

By: ______________________________

Title: ______________________________

EXHIBIT C

FORM OF NOTICE OF CONVERSION/CONTINUATION

Date: _______________

To: JPMorgan Chase Bank, N.A.
as Agent

Ladies and Gentlemen:

The undersigned, Deluxe Corporation (the "Company"), refers to the Amended and Restated 5-Year Revolving Credit Agreement, dated as of July 20, 2005 (as extended, renewed, amended or restated from time to time, the "Credit Agreement"), among the Company, the several financial institutions from time to time party thereto (the "Banks") and JPMorgan Chase Bank, N.A., as Agent (the "Agent") and as an LC Issuer, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably, pursuant to Section 2.04 of the Credit Agreement, of the [conversion] [continuation] of Committed Loans specified below:

1. The Conversion/Continuation Date is ______________.

2. The aggregate amount of the Committed Loans to be [converted] [continued] is $_______________.

3. The Committed Loans are to be [converted into] [continued as] [Offshore Rate] [Base Rate] Committed Loans.

4. [If applicable:] The duration of the Interest Period for the Committed Loans included in the [conversion] [continuation] shall be ____ months.

5. As of the date hereof, the current senior credit rating established or deemed established for the Company by Moody's and S&P is _________ for Moody's and _________ for S&P.

The undersigned hereby certifies that the following statements will be true on and as of the proposed Conversion/Continuation Date, before and after giving effect thereto and to the application of the proceeds therefrom:

1. the representations and warranties of the Company contained in Article V of the Credit Agreement are true and correct as though made on and as of such date (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date;

2. no Default or Event of Default exists or shall result from such proposed [conversion] [continuation];

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3. after giving effect to the proposed [conversion][continuation], the Aggregate Outstanding Credit Exposure does not exceed the aggregate Commitments under the Credit Agreement.

DELUXE CORPORATION

By: ______________________________

Title: ______________________________

EXHIBIT D

FORM OF INVITATION FOR COMPETITIVE BIDS

Via Facsimile

Date: __________________

To the Banks Listed on Annex A Attached Hereto

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated 5-Year Revolving Credit Agreement dated as of July 20, 2005 (as extended, renewed, amended or restated from time to time, the "Credit Agreement"), among Deluxe Corporation (the "Company"), the Banks party thereto and JPMorgan Chase Bank, N.A., as Agent for the Banks (in such capacity, the "Agent") and as an LC Issuer. Capitalized terms used herein have the meanings specified in the Credit Agreement.

Pursuant to subsection 2.06(b) of the Credit Agreement, you are hereby invited to submit offers to make Bid Loans to the Company based on the following specifications:

1. Date of Bid Borrowing: _______________;

2. Aggregate amount of Bid Borrowing: $__________________;

3. The Bid Loans shall be: [LIBOR Bid Loans] [Absolute Rate Bid Loans]; and

4. Interest Period[s] and requested Interest Payment Dates, if any: [____________________],[________________] and [________________].

All Competitive Bids shall be in the form of Exhibit F to the Credit Agreement and shall be received by the Agent no later than 10:00 a.m. (Chicago time) on ___________, _____; provided that terms of the offer or offers contained in any Competitive Bid(s) to be submitted by the Agent (or any Affiliate of the Agent) shall be notified to the Company not later than 10:00 a.m. (Chicago time) on _____________.[1]

JPMORGAN CHASE BANK, N.A., as Agent

By: ______________________________

Title: ______________________________

[1] Insert a date which is three Business Days prior to the date of Borrowing, in the case of a LIBOR Auction, or on the date of Borrowing, in the case of an Absolute Rate Auction.

ANNEX A
to the Invitation for Competitive Bids

List of Bid Loan Lenders

[JPMorgan Chase Bank, N.A.,
as a Bank]

Facsimile: (415) 622-____

[Bank]

Facsimile: (___) ___-____

[Bank]

Facsimile: (___) ___-____

[Bank]

Facsimile: (___) ___-____

[Bank]

Facsimile: (___) ___-____

EXHIBIT E

FORM OF COMPETITIVE BID REQUEST

Date: _______________

To: JPMorgan Chase Bank, N.A.
as Agent

Ladies and Gentlemen:

Reference is made to the Amended and Restated 5-Year Revolving Credit Agreement dated as of July 20, 2005 (as extended, renewed, amended or restated from time to time, the "Credit Agreement"), among Deluxe Corporation (the "Company"), the Banks party thereto, and JPMorgan Chase Bank, N.A., as Agent and as an LC Issuer. Capitalized terms used herein have the meanings specified in the Credit Agreement.

This is a Competitive Bid Request for Bid Loans pursuant to Section 2.06(a) of the Credit Agreement as follows:

The Business Day of the proposed Bid Borrowing is: ______________.

The aggregate amount of the proposed Bid Borrowing is: $___________________.

The proposed Bid Borrowing to be made pursuant to Section 2.06 shall be comprised of [LIBOR] [Absolute Rate] Bid Loans.

The Interest Period[s] and Interest Payment Dates, if any, for the Bid Loans comprised in the Bid Borrowing shall be: _______________, [_________________] and [___________________].

DELUXE CORPORATION

By: ________________________________

Title: ________________________________

EXHIBIT F

FORM OF COMPETITIVE BID

Date: _______________

To: JPMorgan Chase Bank, N.A.,
as Agent

Ladies and Gentlemen:

Reference is made to the Amended and Restated 5-Year Revolving Credit Agreement dated as of July 20, 2005 (as extended, renewed, amended or restated from time to time, the "Credit Agreement"), among Deluxe Corporation (the "Company"), the "Banks" party thereto, and JPMorgan Chase Bank, N.A., as Agent and as an LC Issuer. Capitalized terms used herein have the meanings specified in the Credit Agreement.

In response to the Invitation for Competitive Bids dated ___________ and in accordance with subsection 2.06(c)(ii) of the Credit Agreement, the undersigned Bank offers to make [a] Bid Loan[s] thereunder in the following principal amounts[s], at the following interest rates and for the following Interest Period[s], with Interest Payment Dates as specified by the Company:

Date of Bid Borrowing: _____________________

Aggregate Maximum Bid Amount: $________________

Offer 1 (Maximum Bid Amount: $________________) Interest Period: ________________

Principal Amount $_________
Interest:
[Absolute Rate __%]*
or
[LIBOR Bid Margin +/-___%]*

Principal Amount $_________
Interest:
[Absolute Rate __%]*
or
[LIBOR Bid Margin +/-___%]*

Principal Amount $_________
Interest:
[Absolute Rate __%][2]*
or
[LIBOR Bid Margin +/-___%]*

---

[2] Interest rate may be quoted to five decimal places.

Offer 2 (Maximum Bid Amount: $________________) Interest Period: ________________

Principal Amount $_________
Interest:
[Absolute Rate __%]
or
[LIBOR Bid Margin +/-___%][3]*

Principal Amount $_________
Interest:
[Absolute Rate __%]
or
[LIBOR Bid Margin +/-___%]*

Principal Amount $_________
Interest:
[Absolute Rate __%]
or
[LIBOR Bid Margin +/-___%]*

Offer 3 Maximum Bid Amount: $_________________) Interest Period: ________________

Principal Amount $_________
Interest:
[Absolute Rate __%]*
or
[LIBOR Bid Margin +/-___%]*

Principal Amount $_________
Interest:
[Absolute Rate __%]*
or
[LIBOR Bid Margin +/-___%]*

Principal Amount $__________
Interest:
[Absolute Rate __%]*
or
[LIBOR Bid Margin +/-___%]*

[NAME OF BANK]

By: ________________________________

Title: ________________________________

---

[3] Interest rate may be quoted to five decimal places.

EXHIBIT G-1

FORM OF COMMITTED LOAN NOTE

[DATE]

FOR VALUE RECEIVED, the undersigned, Deluxe Corporation, a Minnesota corporation (the "Company"), hereby promises to pay to the order of ______________________ (the "Bank") at the offices of JPMorgan Chase Bank, N.A., as Administrative Agent for the Banks (the "Agent") the aggregate unpaid principal amount of all Committed Loans made by the Bank to the Company pursuant to the Amended and Restated 5-Year Revolving Credit Agreement, dated as of July 20, 2005 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Company, the Bank, the other financial institutions from time to time party thereto (the "Banks"), JPMorgan Chase Bank, N.A., as Agent and as an LC Issuer, on the dates and in the amounts provided in the Credit Agreement. The Company further promises to pay interest on the unpaid principal amount of the Committed Loans evidenced hereby from time to time at the rates and on the dates as provided in the Credit Agreement.

As provided in the Credit Agreement, the Bank is authorized to endorse the amount of and the date on which each Committed Loan is made, the maturity date therefor and each payment of principal with respect thereto on the schedules annexed hereto and made a part hereof, or on continuations of such schedules which shall be attached hereto and made a part hereof; provided that any failure to endorse such information on such schedule or continuation thereof shall not in any manner affect any obligation of the Company under the Credit Agreement and this Promissory Note (this "Note").

This Note is one of the Committed Loan Notes referred to in, and is entitled to the benefits of, the Credit Agreement, which Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

Terms defined in the Credit Agreement are used herein with their defined meanings therein unless otherwise defined herein.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

DELUXE CORPORATION

By: ______________________

Title: ______________________

Address:
3680 Victoria Street North
Shoreview, Minnesota 55126-2966

SCHEDULE
to Committed Loan Note
[Offshore Rate Committed Loans]

Date Loan Disbursed	Amount of Loan	Maturity Date	Principal Payment	Date Principal Paid

SCHEDULE
to Committed Loan Note
[Base Rate Committed Loans]

Date Loan Disbursed	Amount of Loan	Maturity Date	Principal Payment	Date Principal Paid

_____
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EXHIBIT G-2

FORM OF BID LOAN NOTE

[DATE]

FOR VALUE RECEIVED, the undersigned, Deluxe Corporation, a Minnesota corporation (the "Company"), hereby promises to pay to the order of ______________________ (the "Bank") at the offices of JPMorgan Chase Bank, N.A., as Administrative Agent for the Banks (the "Agent") the aggregate unpaid principal amount of all Bid Loans made by the Bank to the Company pursuant to the Amended and Restated 5-Year Revolving Credit Agreement, dated as of July 20, 2005 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Company, the Bank, the other financial institutions from time to time party thereto (the "Banks"), JPMorgan Chase Bank, N.A., as Agent and as an LC Issuer, on the dates and in the amounts provided in the Credit Agreement. The Company further promises to pay interest on the unpaid principal amount of the Bid Loans evidenced hereby from time to time at the rates and on the dates as provided in the Credit Agreement.

As provided in the Credit Agreement, the Bank is authorized to endorse the amount of and the date on which each Bid Loan is made, the maturity date therefor and each payment of principal with respect thereto on the schedules annexed hereto and made a part hereof, or on continuations of such schedules which shall be attached hereto and made a part hereof; provided that any failure to endorse such information on such schedule or continuation thereof shall not in any manner affect any obligation of the Company under the Credit Agreement and this Promissory Note (this "Note").

This Note is one of the Bid Loan Notes referred to in, and is entitled to the benefits of, the Credit Agreement, which Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

Terms defined in the Credit Agreement are used herein with their defined meanings therein unless otherwise defined herein.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

DELUXE CORPORATION

By: ______________________

Title: ______________________

Address:
3680 Victoria Street North

Shoreview, Minnesota 55126-2966

SCHEDULE
to Bid Loan Note
[Absolute Rate Bid Loans]

Date Loan Disbursed	**Amount of Loan**	**Maturity Date**	**Principal Payment**	**Date Principal Paid**

SCHEDULE
to Bid Loan Note
[LIBOR Bid Loans]

Date Loan Disbursed	Amount of Loan	Maturity Date	Principal Payment	Date Principal Paid

EXHIBIT H

FORM OF OPINION OF ANTHONY C. SCARFONE,
GENERAL COUNSEL TO THE COMPANY

Each of the following opinions will address, as applicable, matters related to Deluxe Corporation (the "Borrower"):

1. The Borrower and each of its Material Subsidiaries, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and is duly qualified to conduct business under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect (as defined in the Agreement). The Borrower has the requisite corporate power to execute, deliver and perform its obligations under the Loan Documents to which it is a party.

2. The execution, delivery and performance by the Borrower of the Loan Documents to which it is a party have been duly authorized by all requisite corporate action. The Loan Documents have been duly executed and delivered by the Borrower and constitute the valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms.

3. The execution and delivery by the Borrower of the Loan Documents to which it is a party, and the performance by the Borrower of its obligations thereunder do not and will not (a) violate any provision of law, statute, rule or regulation or any order, writ, judgment, injunction, decree, determination or award of any court, governmental agency or arbitrator presently in effect having applicability to the Borrower, (b) violate or be in conflict with any provision of the Amended Articles of Incorporation or By-laws (as amended) of the Borrower, (c) result in breach or constitute a default under any indenture, loan or credit agreement or any other material agreement, lease or instrument known to me to which the Borrower is a party or by which it or any of its properties may be bound or result in the creation of a Lien thereunder.

4. No order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority is required on the part of the Borrower to authorize, or is required in connection with the due execution, delivery and performance of, or the legality, validity or binding effect or enforceability of, the Loan Documents.

5. Except as disclosed on Schedule 5.05 of the Agreement, there are no actions, suits or proceedings pending or, to the best of my knowledge, overtly threatened against or affecting the Borrower or any of its respective properties before any court or arbitrator, or any governmental department, board, agency or other instrumentality which (i) challenge the legality, validity or enforceability of the Loan Documents, or (ii) would reasonably be expected to have a Material Adverse Effect.

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6. The Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

7. There is no litigation pending or, to the best of my knowledge, threatened, alleging that any slogan or other advertising device, product, process, method, substance, part or other material now employed by the Borrower or any Subsidiary infringes upon any rights of any other Person which would reasonably be expected to have a Material Adverse Effect.

8. The making of the Loans contemplated by the Agreement, and the use of the proceeds thereof as provided in the Agreement, does not violate Regulations T, U or X of the FRB.

EXHIBIT I

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

This ASSIGNMENT AND ACCEPTANCE AGREEMENT (this "Assignment and Acceptance") dated as of _____________ is made between __________________ (the "Assignor") and ________________ (the "Assignee").

RECITALS

WHEREAS, the Assignor is party to that certain Amended and Restated 5-Year Revolving Credit Agreement dated as of July 20, 2005 (as amended, restated, modified, supplemented or renewed from time to time, the "Credit Agreement"), among Deluxe Corporation (the "Company"), the several financial institutions from time to time party thereto (including the Assignor, the "Banks") and JPMorgan Chase Bank, N.A., as agent for the Banks (in such capacity, the "Agent") and as an LC Issuer. Any terms defined in the Credit Agreement and not defined in this Assignment and Acceptance are used herein as defined in the Credit Agreement;

WHEREAS, as provided under the Credit Agreement, the Assignor has committed to making Committed Loans to the Company in an aggregate amount not to exceed $__________ (the "Commitment");

[WHEREAS, as provided under the Credit Agreement, the Assignor has committed to issuing Facility LCs to the Company in an aggregate amount not to exceed $___________ (the "LC Commitment");

WHEREAS, [the Assignor has made Committed Loans in the aggregate principal amount of $__________ to the Company consisting of $___________ principal amount of Committed Loans [no Committed Loans are outstanding under the Credit Agreement];

[WHEREAS, [the Assignor has issued Facility LCs in the aggregate principal amount of $__________ to the Company consisting of $___________ principal amount of Facility LCs [no Facility LCs are outstanding under the Credit Agreement]; and

WHEREAS, the Assignor wishes to assign to the Assignee [part of the] [all] rights and obligations of the Assignor under the Credit Agreement in respect of its Commitment, [together with a corresponding portion of each of its outstanding Committed Loans], in an amount equal to ___% of the Assignor's Commitment and Committed Loans, on the terms and subject to the conditions set forth herein, and the Assignee wishes to accept assignment of such rights and to assume such obligations from the Assignor on such terms and subject to such conditions;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

1. Assignment and Acceptance.

(a) Subject to the terms and conditions of this Assignment and Acceptance, (i) the Assignor hereby sells, transfers and assigns to the Assignee, and (ii) the Assignee hereby purchases, assumes and undertakes from the Assignor, without recourse and without representation or warranty (except as provided in this Assignment and Acceptance) ___% (the "Assignee's Percentage Share") of (A) the Commitment [and the Outstanding Credit Exposure] of the Assignor and (B) all related rights, benefits, obligations, liabilities and indemnities of the Assignor under and in connection with the Credit Agreement and the Loan Documents.

(b) With effect on and after the Effective Date (as defined in Section 5 hereof), the Assignee shall be a party to the Credit Agreement and succeed to all of the rights and be obligated to perform all of the obligations of a Bank under the Credit Agreement, including the requirements concerning confidentiality and the payment of indemnification, with a Commitment in the amount set forth in subsection (c) below. The Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank. It is the intent of the parties hereto that the Commitment of the Assignor shall, as of the Effective Date, be reduced by an amount equal to the portion thereof assigned to the Assignee hereunder, and the Assignor shall relinquish its rights and be released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee; provided, however, that the Assignor shall not relinquish its rights under Article III or Sections 10.04 and 10.05 of the Credit Agreement to the extent such rights relate to the time prior to the Effective Date.

(c) After giving effect to the assignment and assumption set forth herein, on the Effective Date: (i) the Assignee's Commitment will be $__________; and (ii) the principal amount of the Assignee's Outstanding Credit Exposure will be $_______________.

(d) After giving effect to the assignment and assumption set forth herein, on the Effective Date: (i) the Assignor's Commitment will be $__________; and (ii) the principal amount of the Assignor's Outstanding Credit Exposure will be $_______________.

2. Payments.

(e) As consideration for the sale, assignment and transfer contemplated in Section 1 hereof, the Assignee shall pay to the Assignor on the Effective Date in immediately available funds an amount equal to $__________, representing the Assignee's Percentage Share of the principal amount of all Committed Loans previously made [, and Facility LCs issued] by the Assignor to the Company under the Credit Agreement and outstanding on the Effective Date.

(f) The [Assignor] [Assignee] further agrees to pay to the Agent a processing fee in the amount specified in Section 10.08(a) of the Credit Agreement.

3. Reallocation of Payments. Any interest, fees and other payments accrued prior to the Effective Date with respect to the Commitment, Committed Loans and Facility LCs, if any, of the Assignor shall be for the account of the Assignor. Any interest, fees and other payments accrued on and after the Effective Date with respect to the portion of such Commitment, Committed Loans and Facility LCs assigned to the Assignee shall be for the account of the Assignee. Each of the Assignor and the Assignee agrees that it will hold in

trust for the other party any interest, fees and other amounts which it may receive to which the other party is entitled pursuant to the preceding sentence and pay to the other party any such amounts which it may receive promptly upon receipt.

4. Independent Credit Decision. The Assignee: (a) acknowledges that it has received a copy of the Credit Agreement and the Schedules and Exhibits thereto, together with copies of the most recent financial statements referred to in Section 5.11 or Section 6.01 of the Credit Agreement, and such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into this Assignment and Acceptance; and (b) agrees that it will, independently and without reliance upon the Assignor, the Agent, the Arrangers, or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit and legal decisions in taking or not taking action under the Credit Agreement.

5. Effective Date; Notices.

(g) As between the Assignor and the Assignee, the effective date for this Assignment and Acceptance shall be ______________ (the "Effective Date"); provided that the following conditions precedent have been satisfied on or before the Effective Date:

(i) this Assignment and Acceptance shall be executed and delivered by the Assignor and the Assignee;

(ii) any consent of the Company and the Agent required under Section 10.08(a) of the Credit Agreement for the effectiveness of the assignment hereunder by the Assignor to the Assignee shall have been duly obtained and shall be in full force and effect as of the Effective Date;

(iii) the Assignee shall pay to the Assignor all amounts due to the Assignor under this Assignment and Acceptance;

(iv) the processing fee referred to in Section 2(b) hereof and in Section 10.08(a) of the Credit Agreement shall have been paid to the Agent; and

(v) the Assignor and Assignee shall have complied with the other requirements of Section 10.08 of the Credit Agreement and with the requirements of Sections 9.10 and 3.01 of the Credit Agreement (in each case to the extent applicable).

(h) Promptly following the execution of this Assignment and Acceptance, the Assignor shall deliver to the Company and the Agent for acknowledgement by the Agent, a Notice of Assignment substantially in the form attached hereto as Schedule 1.

6. Agent. The Assignee hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Agent by the Banks pursuant to the terms of the Credit Agreement. [The Assignee shall assume no duties or obligations held by the Assignor in its capacity as Agent under the Credit Agreement.] ***[INCLUDE ONLY IF ASSIGNOR IS AGENT]***

7. Withholding Tax. The Assignee agrees to comply with Sections 3.01 and 9.10 of the Credit Agreement (if applicable).

8. Representations and Warranties.

(i) The Assignor represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any Lien or other adverse claim; (ii) it is duly organized and existing and it has the full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance and to fulfill its obligations hereunder; (iii) no notices to, or consents, authorizations or approvals of, any Person are required (other than those referred to in Section 5(a)(ii) hereof and any already given or obtained) for its due execution, delivery

and performance of this Assignment and Acceptance, and apart from any agreements or undertakings or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; and (iv) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignor, enforceable against the Assignor in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles.

(j) The Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto. The Assignor makes no representation or warranty in connection with, and assumes no responsibility with respect to, the solvency,

financial condition or statements of the Company, or the performance or observance by the Company, of any of its respective obligations under the Credit Agreement or any other instrument or document furnished in connection therewith.

(k) The Assignee represents and warrants that (i) it is duly organized and existing and it has full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance, and to fulfill its obligations hereunder; (ii) no notices to, or consents, authorizations or approvals of, any Person are required (other than those referred to in Section 5(a)(ii) hereof and any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance; and apart from any agreements or undertakings or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; (iii) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignee, enforceable against the Assignee in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles; and (iv) it is an Eligible Assignee.

9. Further Assurances.

The Assignor and the Assignee each hereby agrees to execute and deliver such other instruments, and take such other action, as either party may reasonably request in connection with the transactions contemplated by this Agreement, including the delivery of any notices or other documents to the Company or the Agent, which may be required in connection with the assignment and assumption contemplated hereby.

10. Miscellaneous.

(l) Any amendment or waiver of any provision of this Assignment and Acceptance shall be in writing and signed by the parties hereto. No failure or delay by either party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof and any waiver of any breach of the provisions of this Assignment and Acceptance shall be without prejudice to any rights with respect to any other or further breach thereof.

(m) All payments made hereunder shall be made without any set-off or counterclaim.

(n) The Assignor and the Assignee shall each pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Assignment and Acceptance.

(o) This Assignment and Acceptance may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

(p) THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK. THE ASSIGNOR AND THE ASSIGNEE EACH IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN NEW YORK OVER ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS ASSIGNMENT AND ACCEPTANCE AND IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR FEDERAL COURT. EACH PARTY TO THIS ASSIGNMENT AND ACCEPTANCE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS ASSIGNMENT AND ACCEPTANCE OR ANY DOCUMENT RELATED HERETO, AND PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW.

(q) THE ASSIGNOR AND THE ASSIGNEE EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS ASSIGNMENT AND ACCEPTANCE, AND ANY RELATED DOCUMENTS AND AGREEMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY EITHER OF THE PARTIES AGAINST THE OTHER PARTY, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH OF

THE PARTIES ALSO AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY.

[Other provisions to be added as may be negotiated between the Assignor and the Assignee, provided that such provisions are not inconsistent with the Credit Agreement.]

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Assignment and Acceptance to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By:

Title: ____________________

[ASSIGNEE]

By: ____________________

Title: ____________________

SCHEDULE 1
to the Assignment and Acceptance

NOTICE OF ASSIGNMENT AND ACCEPTANCE

Date: ___________________

JPMorgan Chase Bank, N.A.
as Agent

____
____
____
Attention: ________________

Deluxe Corporation

____
____
____
Attention: ________________

Ladies and Gentlemen:

We refer to the Amended and Restated 5-Year Revolving Credit Agreement dated as of July 20, 2005 (as amended, restated, modified, supplemented or renewed from time to time, the "Credit Agreement") among Deluxe Corporation (the "Company"), the Banks referred to therein and JPMorgan Chase Bank, N.A., as Agent for the Banks (the "Agent"). Terms defined in the Credit Agreement are used herein as therein defined.

1. We hereby give you notice of[, and request the consent of the Company and the Agent to, the assignment by ________________________ (the "Assignor") to ____________________ (the "Assignee") of ____% of the right, title and interest of the Assignor in and to the Credit Agreement (including, without limitation, ____% of the right, title and interest of the Assignor in and to the Commitment of the Assignor and all outstanding Committed Loans made [, and Facility LCs issued,] by the Assignor) pursuant to that certain Assignment and Acceptance Agreement, dated as of ___________ (the "Assignment and Acceptance") between Assignor and Assignee, a copy of which Assignment and Acceptance is attached hereto. Before giving effect to such assignment the Assignor's Commitment is $___________ and the aggregate principal amount of its outstanding Committed Loans is $__________.

2. The Assignee agrees that, upon receiving the consent of the Company and the Agent to such assignment and from and after the Effective Date (as such term is defined in Section 5 of the Assignment and Acceptance), the Assignee shall be bound by the terms of the

Credit Agreement, with respect to the interest in the Credit Agreement assigned to it as specified above, as fully and to the same extent as if the Assignee were the Bank originally holding such interest in the Credit Agreement.

3. The following administrative details apply to the Assignee:

(A) Lending Office(s):

Assignee name: ______________________________

Address: ______________________________

____

____

____

Attention: ______________________________

Telephone: (   ) ______________________________

Facsimile: (   ) ______________________________

Assignee name: ______________________________

Address: ______________________________

____

____

____

Attention: ______________________________

Telephone: (   ) ______________________________

Facsimile: (   ) ______________________________

(B) Notice Address:

Assignee name: ______________________________

Address: ______________________________

____

____

____

Attention: ______________________________

Telephone: (   ) ______________________________

Facsimile: (   ) ______________________________

(C) Payment Instructions:

Account No.: ______________________________

At: ______________________________

____

____

____

Reference: ______________________________

Attention: ______________________________

4. You are entitled to rely upon the representations, warranties and covenants of each of the Assignor and Assignee contained in the Assignment and Acceptance.

5. This Notice of Assignment and Acceptance may be executed by the Assignor and the Assignee in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same notice and agreement.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Notice of Assignment and Acceptance to be executed by their respective duly authorized officials, officers or agents as of the date first above mentioned.

Very truly yours,

Adjusted Commitment:

$____________________

[ASSIGNOR]

By: ________________________________

Title: ________________________________

Adjusted Pro Rata Share:

____________%

Commitment:

$____________________]

[ASSIGNEE]

By: ________________________________

Title: ________________________________

ACKNOWLEDGED this ____ day of ________:

JPMORGAN CHASE BANK, N.A.
as Agent and as an LC Issuer

By: ________________________________

Title: __________________________________

CONSENTED TO this ____ day of ________:

DELUXE CORPORATION

By: __________________________________

Title: __________________________________

Exhibit 10.7

THIRD AMENDMENT

OF

DELUXE CORPORATION

DEFERRED COMPENSATION PLAN

(2001 Restatement)

The "Deluxe Corporation Deferred Compensation Plan" adopted by Deluxe Corporation, a Minnesota corporation, effective November 15, 1983, and which is presently maintained under a document entitled "DELUXE CORPORATION DEFERRED COMPENSATION PLAN (2001 Restatement) (hereinafter referred to as the "Plan"), is here by amended in the following respects:

1. 409A TRANSITION RULE. Effective as of January 1, 2005, Section 4 of the Plan is amended by adding thereto a new Section 4.4 to read in full as follows:

4.4. **409A Transition Rule**. Pursuant to Notice 2005-1, Q&A #20(a) and (c) and for the purpose of taking advantage of the transition relief afforded thereunder, each Participant may revoke in their entirety his or her election or elections to defer payment of (i) Base Salary earned in 2005 that would otherwise been paid during 2005, (ii) Incentive Compensation earned in 2004 that would have otherwise been paid during 2005, and (iii) Incentive Compensation earned in 2005 whether paid in 2005 or 2006. Such election revocation shall be made in writing and filed with the Chief Executive Officer of the Company on or before December 1, 2005.

2. SAVINGS CLAUSE. Save and except as hereinbefore amended the Plan shall continue in full force and effect.

October 26, 2005

DELUXE CORPORATION

By /s/ Anthony C. Scarfone

Its Senior Vice President

Exhibit 10.13

DESCRIPTION OF NON-EMPLOYEE DIRECTOR
COMPENSATION ARRANGEMENTS
(Updated as of November 17, 2005)

Directors who are employees of Deluxe do not receive compensation for their service on the Board other than their compensation as employees. Each non-employee director of Deluxe currently receives a $50,000 annual Board retainer, payable quarterly. The Board's non-executive chairman currently receives an incremental annual retainer of $75,000, also payable quarterly.

In order to fairly compensate non-employee directors for their service on Board committees, the elements and responsibilities of which will fluctuate from time to time, committee members are paid fees for each committee meeting attended, with the chair of each committee also receiving an annual retainer for serving as the chair. The committee fee structure currently is as follows:

	Audit Committee	**Other Standing Committees**
Chair Retainer	$15,000	$5,000
In-person Meeting Attendance	$ 2,000	$1,500
Telephonic Meeting Attendance	$ 1,000	$ 750

Non-employee directors also receive $1,500 for each approved site visit and director education program attended, up to a maximum of five per year, and may receive additional compensation for the performance of duties assigned by the Board or its committees that are considered beyond the scope of the ordinary responsibilities of directors or committee members.

Deluxe maintains a Non-Employee Director Stock and Deferral Plan (the "Director Plan"), which was approved by shareholders as part of Deluxe's 2000 Stock Incentive Plan, as amended (the "Stock Incentive Plan"). The purpose of the Director Plan is to provide an opportunity for non-employee directors to increase their ownership of Deluxe's common stock and thereby align their interest in the long-term success of Deluxe with that of the other shareholders. Under the Director Plan, each non-employee director must irrevocably elect to receive, in lieu of cash, shares of common stock having a fair market value equal to at least 50% of his or her annual cash retainer and meeting fees. The shares of common stock receivable pursuant to the Director Plan are issued quarterly or, at the option of the director, credited to the director in the form of deferred restricted stock units. These restricted stock units vest and are converted into shares of common stock on the earlier of the tenth anniversary of February 1st of the year following the year in which the non-employee director ceases to serve on the Board or such other date as is elected by the director in his or her deferral election (for example, upon termination of service as a director). Each restricted stock unit entitles the holder to receive dividend equivalent payments equal to the dividend payment on one share of common stock. Any restricted stock units issued pursuant to the Director Plan will vest and be converted into shares of common stock in connection with certain defined changes of control of Deluxe. All shares of common stock issued pursuant to the Director Plan

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are issued under Deluxe's Stock Incentive Plan and must be held by the non-employee director for a minimum period of six months from the date of issuance.

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

Under the terms of the Stock Incentive Plan, non-employee directors also are eligible to receive non-qualified options to purchase shares of Deluxe's common stock and other grants to further assist them in achieving and maintaining their established share ownership targets. All non-employee directors were granted 1,000 options in 2005, but the amount and form of future grants will be at the discretion of the Compensation Committee (in consultation with the Corporate Governance Committee). All options granted to non-employee directors must, however, have an exercise price at least equal to the fair market value of Deluxe's common stock on the date of grant, and may not exceed 5,000 options to any director in any one year.

Non-employee directors who were elected to the Board prior to October 1997 also are eligible for certain retirement payments under the terms of a Board retirement plan that has since been replaced by the Director Plan. Under this predecessor plan, non-employee directors with at least five years of Board service who retire, resign or otherwise are not nominated for reelection are entitled to receive an annual payment equal to the annual Board retainer in effect on July 1, 1997 ($30,000 per year) for the number of years during which he or she served on the Board prior to October 31, 1997. In calculating a Director's eligibility for benefits under this plan, partial years of service are rounded up to the nearest whole number. Retirement payments do not extend beyond the lifetime of the retiree and are contingent upon the retiree's remaining available for consultation with management and refraining from engaging in any activity in competition with Deluxe.

Exhibit 12.1

Deluxe Corporation
Computation of Ratio of Earnings to Fixed Charges

	Year Ended December 31,					
	2005	**2004**	**2003**	**2002**	**2001**	**2000**
Earnings:						
Income from continuing operations before income taxes	$ 250,734	$ 316,873	$ 299,380	$ 340,722	$ 297,534	$ 273,429
Interest expense (excluding capitalized interest)	56,604	32,851	19,241	5,079	5,691	11,900
Portion of rent expense under long-term operating leases representative of an interest factor	4,799	4,929	2,478	3,058	3,540	3,520
Total earnings	**$ 312,137**	**$ 354,653**	**$ 321,099**	**$ 348,859**	**$ 306,765**	**$ 288,849**
Fixed charges:						
Interest expense (including capitalized interest)	$ 57,399	$ 33,299	$ 19,241	$ 5,139	$ 5,691	$ 11,900
Portion of rent expense under long-term operating leases representative of an interest factor	4,799	4,929	2,478	3,058	3,540	3,520
Total fixed charges	**$ 62,198**	**$ 38,228**	**$ 21,719**	**$ 8,197**	**$ 9,231**	**$ 15,420**
Ratio of earnings to fixed charges	**5.0**	**9.3**	**14.8**	**42.6**	**33.2**	**18.7**

Exhibit 21.1

DELUXE CORPORATION SUBSIDIARIES

Chiswick, Inc. (Massachusetts)
Direct Checks Unlimited, LLC (Colorado)
Direct Checks Unlimited Sales, Inc. (Colorado)
Deluxe Enterprise Operations, Inc. (Minnesota)
Deluxe Financial Services, Inc. (Minnesota)
Deluxe Financial Services Texas, L.P. (Texas)
Deluxe Manufacturing Operations, Inc. (Minnesota)
Deluxe Small Business Sales, Inc. (Minnesota)
DGBS (UK) Forms Limited (United Kingdom)
DGBS (UK) Holdings Limited (United Kingdom)
DLX Check Printers, Inc. (Minnesota)
DLX Check Texas, Inc. (Minnesota)
McBee Systems, Inc. (Colorado)
McBee Systems Ohio, Inc. (Minnesota)
NEBS Business Products Limited (Canada)
NEBS Business Stationery Limited (United Kingdom)
NEBS Capital (Canada)
NEBS Payroll Services, Inc. (Minnesota)
NEBS Payroll Service Limited (Canada)
New England Business Service, Inc. (Delaware)
Paper Payment Services, LLC (Minnesota)
Plaid Moon, Inc. (Minnesota)
Rapidforms, Inc. (New Jersey)
Russell & Miller, Inc. (Delaware)
Safeguard Business Systems, Inc. (Delaware)
Safeguard Business Systems Limited (Canada)
Shirlite Limited (United Kingdom)
Sigma Afterprint Services Limited (United Kingdom)
Stephen Fossler Company (Delaware)
Veripack, Inc. (Delaware)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in each Registration Statement on Form S-8 (No. 33-53585, 333-03265, 333-95739, 333-52452, 333-52454 and 333-89532) and on Form S-3 (No. 333-104858) of Deluxe Corporation of our report dated February 14, 2006 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
March 1, 2006

Exhibit 24.1

POWER OF ATTORNEY

Each of the undersigned directors and officers of DELUXE CORPORATION, a Minnesota corporation, hereby constitutes and appoints Ronald E. Eilers, Douglas J. Treff and Terry D. Peterson his true and lawful attorneys-in-fact, and each of them, with full power to act without the other, to sign the Company's annual report on Form 10-K for the year ended December 31, 2005, and any and all amendments to such report, and to file the same and any such amendment, with any exhibits, and any other documents required in connection with such filing, with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934.

	Date
/s/ Ronald E. Eilers	2/15/06
Ronald E. Eilers, Director and Principal Executive Officer	
/s/ Douglas J. Treff	2/15/06
Douglas J. Treff, Principal Financial Officer	
/s/ Terry D. Peterson	2/15/06
Terry D. Peterson, Principal Accounting Officer	
/s/ T. Michael Glenn	2/15/06
T. Michael Glenn, Director	
/s/ Charles A. Haggerty	2/15/06
Charles A. Haggerty, Director	
/s/ Isaiah Harris, Jr.	2/15/06
Isaiah Harris, Jr., Director	
/s/ William A. Hawkins	2/15/06
William A. Hawkins, III, Director	
/s/ Cheryl Mayberry McKissack	2/15/06
Cheryl Mayberry McKissack, Director	
/s/ Stephen P. Nachtsheim	2/15/06
Stephen P. Nachtsheim, Director	
/s/ Mary Ann O'Dwyer	2/15/06
Mary Ann O'Dwyer, Director	
/s/ Martyn R. Redgrave	2/15/06
Martyn R. Redgrave, Director	

Exhibit 31.1

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

I, Ronald E. Eilers, Chief Executive Officer of Deluxe Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Deluxe Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2006

/s/ Ronald E. Eilers

Ronald E. Eilers
Chief Executive Officer

Exhibit 31.2

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

I, Douglas J. Treff, Senior Vice President and Chief Financial Officer of Deluxe Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Deluxe Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2006

/s/ Douglas J. Treff

Douglas J. Treff
Chief Financial Officer

Exhibit 32.1

CEO AND CFO CERTIFICATION OF PERIODIC REPORT

We, Ronald E. Eilers, Chief Executive Officer of Deluxe Corporation (the “Company”), and Douglas J. Treff, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2006

/s/ Ronald E. Eilers

Ronald E. Eilers
Chief Executive Officer

/s/ Douglas J. Treff

Douglas J. Treff
Chief Financial Officer