

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 17, 2006

DELUXE CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota
(State or Other Jurisdiction
of Incorporation)

1-7945
(Commission
File Number)

41-0216800
(I.R.S. Employer
Identification No.)

3680 Victoria St. North, Shoreview, Minnesota
(Address of Principal Executive Offices)

55126-2966
(Zip Code)

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

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

(a) Deluxe Corporation ("Deluxe" or the "Company") and Lee Schram ("Mr. Schram") entered into the following agreements in connection with his being named as Chief Executive Officer of the Company (as further described in Item 5.02(c) below). Other than the Employment Agreement, which is dated as of April 10, 2006, all agreements referenced below will be entered into on Mr. Schram's first day of employment with Deluxe. The material terms and conditions of each agreement are described below. The forms of certain of these agreements are on file with the SEC, as noted in Item 9.01 below, and the following descriptions are qualified in their entirety by reference to those forms and to the Employment Agreement and form of Retention Agreement being filed herewith.

1. Employment Agreement: Mr. Schram will serve as Chief Executive Officer of Deluxe, effective upon his commencement of employment with the Company. His employment with the Company will start on May 1, 2006, or such earlier date as is mutually agreed (the "Commencement Date"). He will be required to devote his full business time, attention and efforts to the business and affairs of the Company, and to serve faithfully and to the best of his ability. Mr. Schram will be permitted to serve on one outside public company board, as well as non-profit boards, in each case, subject to the approval of the Chair of the Governance Committee of the Company's Board of Directors. Mr. Schram will receive an annualized base salary of \$725,000 for the period from the Commencement Date through December 31, 2006, and will thereafter be subject to review of his base salary in the same manner as are all other executives. Mr. Schram will also be eligible to participate in the Company's Annual Incentive Program, which provides for a target bonus opportunity of 100% of base salary and a maximum of 200% of base; for 2006, this cash bonus opportunity is tied to achievement of Company operating income and revenue goals. For 2006 only, 50% of Mr. Schram's pro-rated target bonus opportunity will be guaranteed by the Company.

The Company will pay to Mr. Schram a one-time lump sum signing amount in the gross amount of \$300,000 within ten days after the Commencement Date. Mr. Schram may elect to defer that amount into the Company's Deferred Compensation Plan. In addition, in consideration of Mr. Schram's commencement and continuation of employment, and to replace forfeited compensation earned at his previous employer, the Company will grant as a retention bonus a restricted share grant having a value in the gross amount of \$1,400,000 on the date of grant (*i.e.*, the Commencement Date). Fifty percent of the grant shall vest upon completion of 12 months of employment, with the remaining 50% vesting upon completion of 24 months of employment with the Company. If Mr. Schram's employment with the Company is terminated prior to the completion of 24 months of employment by the Company without "Cause" (as defined therein), then all remaining unvested shares shall immediately vest; if his employment is terminated by the Company for "Cause," then no remaining portion of this grant shall vest. This grant of restricted stock shall be subject to the terms and conditions of a Restricted Stock Award Agreement to be entered into by the Company and Mr. Schram on the Commencement Date.

Mr. Schram will also be entitled to participate in the Company's standard health and welfare plans, as well as the Company's 401(k), profit-sharing and defined contribution pension plans, and the Company's Employee Stock Purchase Plan, all of which are offered to all employees. In addition, on the Commencement Date, Mr. Schram will be credited with 187 hours of paid time off ("PTO") for calendar year 2006, to be used for vacation, sickness, holiday and personal time off. Mr. Schram will be credited on a semi-monthly basis with PTO hours at an annualize rate of 280 hours while actively employed.

Mr. Schram will be required to relocate his permanent residence to the Twin Cities metropolitan area no later than September 1, 2006, and will be entitled to participate in the Company's executive relocation program. In addition, during the period between the Commencement Date and the date Mr. Schram relocates, the Company will pay for Mr. Schram's temporary housing in an executive apartment, and will reimburse Mr. Schram for the cost of any storage of household goods and the cost of up to four trips per month on regularly scheduled commercial flights between the Twin Cities and his current home in Ohio. Mr. Schram will also be provided with an allowance of \$10,000 to cover other costs and expenses necessarily incurred incidental to his relocation. If Mr. Schram were to leave the Company for any reason other than a termination by the Company without "Cause" or termination by Mr. Schram for "Good Reason" (as defined therein) during the first six months of his employment, he would be obligated to reimburse the Company for 100% of these relocation expenses; if he were to leave for any such reason after six months and prior to twelve months after the commencement of his employment with Deluxe, then he would be obligated to reimburse the Company for 50% of these expenses.

In addition, this agreement provides that, if Mr. Schram were to be terminated without "Cause" by Deluxe or by Mr. Schram with "Good Reason" (each as defined therein), and provided he signs a written release substantially in the form attached to the Employment Agreement as Exhibit A thereto, Mr. Schram would be entitled to receive the following:

- 12 months of severance pay at his then-current level of base monthly salary;
- For a period of 12 months following the severance period, an additional monthly payment equal to the amount, if any, that his monthly base compensation as of termination exceeds the monthly compensation earned during that month;
- Executive-level outplacement services for up to 12 months; and
- An additional lump sum payment of \$13,000 to assist with other costs and expenses that may be incurred in connection with his employment transition.

The foregoing severance arrangements would not apply if Mr. Schram's employment were to be terminated following a "Change of Control" (as defined) of Deluxe under circumstances that would entitle Mr. Schram to receive benefits under the Executive Retention Agreement described below.

Mr. Schram will be subject to nondisclosure, non-competition and non-solicitation/non-hire agreements for the period commencing on the Commencement Date and ending on the two-year anniversary of his last day of employment with the Company. The non-competition covenant covers business activities conducted by the Company (including its subsidiaries) prior to the date he ceases to be employed by the Company, with a geographical scope of North America. The non-solicit/non-hire covenant excludes former employees of the Company (or its subsidiaries) who have not been employed by the Company for at least six months prior to any attempt to solicit or hire by Mr. Schram.

2. **Executive Retention Agreement:** Mr. Schram will receive the same change in control benefits as currently are provided to all other senior executives of Deluxe, as set forth in the form of Executive Retention Agreement on file with the SEC, except that the initial term of his Executive Retention Agreement shall begin on the Commencement Date and terminate on December 18, 2008, so as to expire on the same date as the Company's other Executive Retention Agreements. In particular, in the event of a termination of his employment after a change in control that triggers payment of benefits, he will be entitled to receive three times the sum of his annual base salary and the higher of his then-target bonus or the average of his annual incentive payments for the last three full fiscal years prior to the effective date of the "Change of Control" (as defined), plus three times the amount that would have been contributed by Deluxe or its affiliates to the retirement and supplemental retirement plans in which Mr. Schram participated prior to his termination in respect of such sum.

3. **Restricted Stock Award Agreement:** This agreement will contain the specific terms and conditions of the retention bonus in the form of a restricted stock award described above under "Employment Agreement."

4. **Performance-Accelerated Restricted Stock Award Agreement:** This agreement will provide for the grant of 27,200 shares of Common Stock of the Company on the Commencement Date, and otherwise will follow the standard form of award agreement utilized by the Company in connection with its 2006 grants and on file with the SEC. These shares will vest on the third anniversary of the date of grant, assuming that Mr. Schram is employed on such date. The vesting of these shares will be accelerated upon the occurrence of certain defined Change in Control events, as further described therein.

5. **Non-Qualified Stock Option Agreement:** This agreement will provide for the grant of non-qualified options to purchase 182,000 shares of Common Stock of the Company on the Commencement Date, with an exercise price equal to the closing price of one share of the Company's Common Stock on such grant date, as reported in the Midwest Edition of the Wall Street Journal. In all other respects, this agreement will follow the standard form of award agreement utilized by the Company in connection with its 2006 grants that is on file with the SEC. The options will vest in equal increments on each of the first, second and third anniversaries of the date of grant, and will be exercisable until the seventh anniversary of the date of grant. The vesting of these options will be accelerated upon the occurrence of certain defined Change in Control events, as further described therein.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

(b) On April 17, 2006, Deluxe issued a press release entitled, "Deluxe Names Lee Schram New Chief Executive Officer", a copy of which is furnished with this report as Exhibit 99.5. As previously announced by the Company, Deluxe's current Chief Executive Officer, Ronald E. Eilers ("Mr. Eilers"), will resign as CEO and as a member of the Board of Directors of the Company effective with Mr. Schram's assumption of the CEO position on the Commencement Date. This also is in accordance with the Transition Agreement between the Company and Mr. Eilers, dated November 17, 2005, and previously filed with the SEC.

(c) On April 17, 2006, Deluxe announced that Mr. Schram would succeed Mr. Eilers as Chief Executive Officer of the Company, effective as of the Commencement Date.

Mr. Schram, age 44, has served as Senior Vice President, Retail Solutions Division of NCR Corporation (NCR") since March 2003. From January 2002 to March 2003, he was Vice President and General Manager, Payment Solutions, Financial Solutions Division, and from September 2000 to January 2002, he was Chief Financial Officer, Retail and Financial Group of NCR. Since joining NCR in 1983, Mr. Schram has held a variety of positions of increasing responsibility in both domestic and international assignments, including Corporate Controller, Finance and Administration from 1999 to 2000. Mr. Schram does not currently serve on any other public company boards, and has no family relationships with any other director or executive officer of the Company. Other than the agreements noted above, Mr. Schram is not a party to any transaction with the Company or any subsidiary of the Company. The material terms of those agreements are set forth in Item 1.01 above.

(d) Under the terms of the Employment Agreement noted above, the Board has agreed to nominate Mr. Schram as a candidate for election to the Board so long as he holds the position of Chief Executive Officer of the Company. In addition, as of the Commencement Date, the Board intends to elect Mr. Schram to fill the vacancy created by Mr. Eilers' resignation from the Board. Other than the agreements noted above, Mr. Schram is not a party to any arrangement or understanding with any other officer or director of the Company.

Item 7.01 Regulation FD Disclosure

Press release announcing new Chief Executive Officer of Deluxe Corporation, dated as of April 17, 2006.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

- 99.1 Employment Agreement, dated as of April 10, 2006, between Deluxe Corporation and Mr. Schram
- 99.2 Form of Executive Retention Agreement, to be dated as of the Commencement Date, between Deluxe Corporation and Mr. Schram
- 99.3 Form of Performance-Accelerated Restricted Stock Award Agreement, to be dated as of the Commencement Date, between Deluxe Corporation and Mr. Schram (the form of which has been filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 21, 2006)
- 99.4 Form of Non-Qualified Stock Option Agreement, to be dated as of the Commencement Date, between Deluxe Corporation and Mr. Schram (the form of which has been filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
- 99.5 Press Release, dated April 17, 2006, of Deluxe Corporation reporting naming of Lee Schram as Chief Executive Officer, which shall be deemed furnished in connection with Item 7.01 hereof

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

Date: April 17, 2006

DELUXE CORPORATION

/s/ Anthony C. Scarfone

Anthony C. Scarfone
Senior Vice President,
General Counsel and Secretary

INDEX TO EXHIBITS

Exhibits

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EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is made and entered as of April 10, 2006, to be effective as of the "Commencement Date" (as defined below), between Deluxe Corporation, a Minnesota corporation (the "Company"), and Lee Schram (the "Executive"), a resident of Ohio.

RECITALS

WHEREAS, the Company wishes to employ the Executive as the Company's Chief Executive Officer and the Executive desires to accept and serve as the Company's Chief Executive Officer;

WHEREAS, the Executive understands that such employment is expressly conditioned on execution of this Agreement; and

WHEREAS, the Company desires to employ the Executive as Chief Executive Officer, and the Executive desires to be employed by the Company in that capacity pursuant to the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the Executive's employment as the Company's Chief Executive Officer and the foregoing premises, the mutual covenants set forth below, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Executive agree as follows:

ARTICLE I: EMPLOYMENT, TERM AND DUTIES

1.1 **Employment.** The Company hereby employs the Executive as Chief Executive Officer, and the Executive accepts such employment and agrees to perform services for the Company, for the period and upon the other terms and conditions set forth in this Agreement.

1.2 **Term.** The Executive's employment with the Company shall commence on May 1, 2006 or such earlier date as may be mutually agreed upon by the parties (the "Commencement Date"), and shall continue until terminated pursuant to the terms of Article III hereof (such employment period being referred to herein as the "Term").

1.3 **Position and Duties.**

- 1.3.1 **Service with the Company.** The Executive agrees to serve as the Company's Chief Executive Officer and to perform such duties (a) as are set forth for that position in the By-laws of the Company; (b) as the Company's Board of Directors (the "Board") shall reasonably assign to the Executive from time to time; and (c) that the Executive undertakes or accepts consistent with his position as Chief Executive Officer. The Executive acknowledges and agrees that, from time to time, he will be required to perform duties with respect to one or more of the Company's subsidiary or affiliate companies (each an "Affiliate"), and that he will not be entitled to any additional compensation for performing those duties.

The Executive also agrees to serve, for any period for which the Executive is elected, as a member of the Board or as a director or officer of any Affiliate; *provided, however*, that the Executive shall not be entitled to any additional compensation for serving in any of such capacities. Unless prohibited by applicable law, court order or binding shareholder action, the Company will place the name of Executive in nomination to serve as a member of the Board for so long as Executive shall serve as its Chief Executive Officer.

Upon termination of Employee's employment, for whatever reason, Employee agrees to resign immediately from the Board and from all Affiliate boards of directors on which he is then currently serving.

- 1.3.2 **Performance of Duties.** During the Term, the Executive agrees to serve the Company faithfully and to the best of the Executive's ability and to devote the Executive's full business time, attention and efforts to the business and affairs of the Company (exclusive of any period of vacation, sick, disability, or other leave to which the Executive is entitled).

The Executive hereby confirms that, during the Term, the Executive will not render or perform services for any other corporation, firm, entity or person that are inconsistent with the provisions of this Agreement, whether or not such activity is pursued for gain, profit, or other pecuniary advantage.

The rest of this Section 1.3.2 notwithstanding, the Executive may (a) serve on the boards of one for-profit and other non-profit corporations (subject to the Executive having obtained the prior approval of the Chair of the Board's Corporate Governance Committee to serve on such a board in accordance with all of the Company's policies, including, without limitation, the Company's policy regarding conflicts of interest); (b) deliver lectures or fulfill speaking engagements; and (c) manage personal investments, so long as the activities referred to in clauses (a) through (c) above do not materially interfere with the performance of the Executive's responsibilities under this Agreement. Notwithstanding the terms of clause (a) of the preceding sentence, the Executive agrees to resign from any and all boards of profit or non-profit corporations, as and when requested to do so by the Board at any time during the Term if, in its good faith judgment, the Board determines that such service (or continued service) by the Executive is not in the best interests of the Company.

The Executive will perform all of the Executive's responsibilities in compliance with all applicable laws and with all of the applicable policies generally in effect for employees of the Company or any applicable policies of the Company Affiliate for which the Executive performs services, including without limitation, the Company's Code of Ethics and Business Conduct and related policies, as the same may be amended from time to time.

of the Company.

- 1.3.3 **Relocation.** The Executive's primary office shall be located in the greater Twin Cities metropolitan area. The Executive shall relocate his permanent residence to the Twin Cities metropolitan area on or before September 1, 2006 (the "Relocation Date"). The Company will pay for Executive's temporary housing in an executive apartment during the period from Commencement Date to the Relocation Date or Executive's actual relocation, whichever is earlier. During that same period, the Company will reimburse Executive for the cost of any storage of household goods which may be required. Executive shall also be provided with an allowance of Ten Thousand Dollars (\$10,000) to cover other costs and expenses necessarily incurred incidental to his relocation. In addition, the Executive shall be entitled to fly on regularly scheduled commercial airline flights, from the Twin Cities to his current home in Ohio as required up to four (4) times per month during the period between the Commencement Date and the Relocation Date. In the event that the Executive does not complete six (6) continuous months of employment with the Company after any move in which the Company's relocation program is used, the Executive will be required to reimburse the Company for the value of the relocation program provided to the Executive or on his behalf. In the event the Executive completes six (6) or more but fewer than twelve (12) continuous months of employment with the Company after any move in which the Company's relocation program is used, the Executive will be required to reimburse the Company for one half of the value of the relocation program provided to the Executive or on his behalf. Notwithstanding the foregoing, if Executive's employment is terminated by the Company without Cause (as defined in Section 3.1.2 below) or by Executive for Good Reason (as defined in Section 3.1.4 below), the Executive shall have no obligation to reimburse the Company for relocation program expenditures. In all other respects not specified in this Agreement, Executive's relocation shall be handled consistent with the relocation program as defined in the Company's relocation guidelines.
- 1.3.4 **No Conflicting Obligations.** The Executive represents that: (a) his acceptance of employment under the terms of this Agreement and his performance of the duties specified above will not conflict with any contractual or other obligations which he may owe to any former employers or other third parties, and (b) his performance of these duties will not require the disclosure of confidential information acquired by the Executive in confidence or in trust prior to Executive's employment with the Company. Executive agrees to indemnify the Company and hold it harmless against any and all liabilities or claims arising out of any unauthorized act or acts by the Executive that are in violation of or constitute a breach of any such obligations. Executive agrees that he will not, hereafter, enter into any agreement, whether written or oral, which conflicts with his obligations under this Agreement.

ARTICLE II. COMPENSATION, BENEFITS AND EXPENSES

2.1 **Base Salary.** As his initial base compensation for all services he renders under this Agreement, the Executive shall receive an annualized base salary ("Annual Base Salary") of Seven Hundred Twenty-Five Thousand Dollars (\$725,000.00), starting on the Commencement Date. The Annual Base Salary shall be paid in accordance with the Company's normal payroll procedures and policies, as such procedures and policies may be modified from time to time. The Annual Base Salary shall be reviewed and adjusted in the sole discretion of the Board's Compensation Committee (the "Committee") according to a schedule and in a manner consistent with the Company's practices for salary adjustment, which practices may be revised from time to time.

2.2 **Incentive Compensation.** While the Executive holds the position of Chief Executive Officer of the Company and the Company's 2004 Annual Incentive Plan (the "AIP") remains in effect, the Committee shall designate the Executive as a participant in the AIP, subject to and in accordance with the terms and conditions thereof, including any goals the Committee establishes to govern the AIP for any fiscal year. For the 2006 fiscal year, Executive's AIP bonus shall be based upon achievement of operating income and revenue goals established by the Committee. Subject to the requirements of the AIP, the actual incentive paid to the Executive, based on 2006 Company results, will be pro-rated based on the Executive's time worked during 2006 and paid after year-end results are available and approved by the Board. For the 2006 fiscal year only, 50% of Executive's "Target Incentive" shall be guaranteed. For purposes of this Agreement, the term "Target Incentive" shall mean an amount equal to 100% of the Annual Base Salary actually paid to the Executive for a given fiscal year. For the 2006 fiscal year, Executive's maximum bonus payable under the AIP shall be equal to 200% of the Annual Base Salary actually paid to the Executive for that fiscal year.

2.3 **Signing Bonus.** In consideration of Executive's execution and delivery of this Agreement and his commencement of employment with the Company, the Company will pay to the Executive a one-time lump sum payment in the gross amount of Three Hundred Thousand Dollars (\$300,000), which shall be payable within ten (10) working days following Executive's commencement of employment. Executive may, at his option, elect to defer some or all of the Signing Bonus into the Company's Deferred Compensation Plan, provided that Executive has made and communicated such election to the Company in writing prior to the date he commences employment.

2.4 **Retention Bonus.** In consideration of Executive's commencement and continuation of employment with the Company as provided herein, and to replace forfeited compensation earned at his previous employer, the Company will provide to Executive as a Retention Bonus restricted shares of the Company's stock having a value in the gross amount of One Million Four Hundred Thousand Dollars (\$1,400,000) as of the date of grant, which shall coincide with the Commencement Date. Executive's entitlement to the Retention Bonus shall vest in two installments: 50% upon Executive's completion of twelve (12) months of employment with the Company, and 50% upon Executive's completion of twenty-four (24) months of employment with the Company. In the event that Executive's employment is terminated prior to completion of twenty-four (24) months of employment

- (a) by the Company without Cause (as defined in Section 3.1.2 below), then any unvested installment(s) of the Retention Bonus shall immediately vest;
- (b) by the Company for Cause (as defined in Section 3.1.2 below), then no remaining portion of the Retention Bonus shall vest.

With the exception of the vesting schedule specified above and the definition of Cause for termination set forth in Section 3.1.2 below, the restricted shares of the Company's stock to be awarded to the Executive as a Retention Bonus shall be provided in all other respects subject to and in conformity with the provisions of the Company's Stock Plan, as the same may be amended from time to time, and the Company's standard form of retention-based restricted stock agreement.

2.5 **Benefit Plans:** During the Term, the Executive shall be entitled to participate in the employee health and welfare and pension benefits programs offered generally by the Company to its executive employees, to the extent that the Executive's position, tenure, salary, health, and other qualifications make the Executive eligible to participate. Such plans currently include, without limitation, the Company's medical, dental, vision and disability plans, its life insurance program, and its deferred compensation plan, ERISA excess plan and retirement benefits program (including its 401(k) plan, defined contribution pension plan and profit-sharing plan), and an executive physical exam once per calendar year, performed at the Mayo Clinic in Rochester, Minnesota. With respect to Executive's participation in the Company's short term disability benefit plan, it is specifically agreed that, in the event Executive begins his employment on the Commencement Date, he will be covered as a participant in that plan effective on the Commencement Date. However, in the event Executive actually commences employment at a time after the Commencement Date, his participation in that plan will be effective on the first day of the month following

his actual commencement of employment. The Executive's participation in such benefits shall be subject to the terms of the applicable plans, as the same may be amended from time to time. The Company does not guarantee the adoption or continuance of any particular employee benefit or benefit plan during the Term, and nothing in this Agreement is intended to, or shall in any way restrict the right of the Company, to amend, modify or terminate any of its benefits or benefit plans during the Term.

2.6 **Stock Options.** The Company hereby grants to the Executive an option to purchase 182,000 shares of the Company's Common Stock, effective as of the Commencement Date, in accordance with the terms of the Company's 2000 Stock Incentive Plan (the "Stock Plan"), as the same may be amended from time to time, and the Company's standard form of non-qualified stock option agreement to be entered into by the Executive and the Company. The exercise price for this option shall be the "fair market value" of the Company's common stock as of the close of business on the Commencement Date, as reported in the Midwest Edition of the Wall Street Journal.

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2.7 **Restricted Stock Grant.** The Company hereby grants to the Executive 27,200 shares of the Company's Common Stock, effective as of the Commencement Date, in accordance with the terms of the Stock Plan, as the same may be amended from time to time, and the Company's standard form of performance-accelerated restricted stock agreement to be entered into by the Executive and the Company.

2.8 **Additional Equity Grants.** The Executive will be eligible for consideration for additional grants of equity in the Company beginning with the fiscal year 2007 Company equity grant cycle, and in conformity with the practices and procedures of the Committee as in effect at such time. During the Term, the Executive shall be entitled to participate in the equity plans offered generally by the Company to its executive employees, to the extent that the Executive's position, tenure, salary and other qualifications make the Executive eligible to participate. In addition to the Stock Plan, such plans include the employee stock purchase plan of the Company.

2.9 **Expenses.** During the Term, the Executive shall be entitled to reimbursement for all reasonable business expenses he incurs in carrying out his duties under this Agreement in accordance with the policies and practices of the Company for submission of expense reports, receipts, or similar documentation of such expenses as in effect from time to time by the Company.

2.10 **Paid Time Off.** Upon the Commencement Date, the Executive will be credited with 187 hours of paid time off (PTO) for calendar year 2006 to be used for vacation, sickness, holiday and personal time off. Thereafter, PTO hours will be credited to the Executive on a semi-monthly basis at an annualized rate of 280 hours while the Executive is actively employed. Subject to ensuring that the business and affairs of the Company shall be continued in normal fashion during his absence, the Executive will be eligible to use accrued PTO hours after completing thirty (30) days of active employment with the Company. Unused PTO shall be subject to the terms and conditions of the Company's standard policies as in effect from time to time, but otherwise shall not have any cash value to the Executive.

ARTICLE III: TERMINATION OF EMPLOYMENT

3.1 **Termination.** The Executive's employment under this Agreement may be terminated during the Term as described in this Article III.

3.1.1 **Death or Disability.** The Executive's employment shall terminate automatically upon the Executive's death. The Executive's employment shall terminate in the event the Executive becomes "Totally Disabled." For purposes of this Agreement, "Totally Disabled" means "totally disabled" as defined in the Company's Group Long-Term Disability Plan applicable to senior executives as in effect on the Commencement Date, and as may be amended from time to time thereafter.

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3.1.2 **Termination by the Company for Cause.** The Company may terminate this Agreement and the Executive's employment hereunder for Cause at any time after providing written notice to the Executive. For purposes of this Agreement, "Cause" means:

- (a) the continued failure or refusal of the Executive to perform substantially the Executive's duties hereunder (other than as a result of total or partial incapacity due to physical or mental illness) including any breach of the Executive's fiduciary duties to the Company (including the Executive's appropriation or attempted appropriation of a material business opportunity of the Company);
- (b) the engaging by the Executive in intentional or willful misconduct which is materially injurious to the reputation, business, financial condition or business relationships of the Company or the Executive's reputation or business relationships;
- (c) perpetration of an intentional and knowing fraud against or affecting the Company or any customer, supplier, client, agent, or executive thereof;
- (d) conviction (including conviction on a *nolo contendere* plea) of a felony or any crime involving fraud, dishonesty or moral turpitude; or
- (e) the material breach of any covenant set forth in Article IV or V hereof;

provided, however that:

- (i) a termination pursuant to clauses (a), (b), (c) or (e) shall not become effective unless the Company has delivered written notice to the Executive describing Executive's actions constituting "Cause" and the Executive has failed to demonstrate to the Board within fifteen business (15) days thereafter that his actions did not constitute "Cause" as described in such notice; and
- (ii) a termination pursuant to clauses (a) or (e) above, if susceptible of cure, shall not become effective unless the Executive fails to cure such failure to perform or breach within forty-five (45) days after written notice from the Company identifying what reasonable actions shall be required to cure such failure to perform.

3.1.3 **Termination by the Company without Cause.** The Company may terminate this Agreement and the Executive's employment hereunder for any reason or no reason at any time after providing written notice to the Executive. If the Company terminates the Executive's employment for any reason other than Cause, then the terms of Section 3.2.3 shall apply.

3.1.4 **Termination by the Executive For Good Reason.** The Executive may terminate his employment for Good Reason. For purposes of this Agreement, "Good Reason" means:

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- (a) except with the Executive's written consent given in the Executive's discretion, (i) the assignment to the Executive of any position and/or duties which represent or otherwise entail a material diminution in the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or (ii) any other action by the Company which results in a material diminution in the Executive's position (or positions) with the Company, excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Executive and excluding any diminution attributable to the fact that Deluxe is no longer a public company;
 - (b) any material reduction in the Executive's aggregate compensation and incentive opportunities, or any failure by the Company to comply with the express provisions of this Agreement or any other written agreement between the Executive and the Company, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Executive;
 - (c) any purported termination by the Company of the Executive's employment which is not effected pursuant to the terms of this Agreement; or
 - (d) any request or requirement by the Company that the Executive take any action or omit to take any action that is inconsistent with or in violation of the Company's ethical guidelines and policies as the same existed within the 120 day period prior to the termination date or any professional ethical guidelines or principles that may be applicable to the Executive.

The Executive shall have Good Reason to terminate his employment if (i) within forty-five (45) days following the Executive's actual knowledge of the event which the Executive determines constitutes Good Reason, he notifies the Company in writing that he has determined a Good Reason exists and specifies the event creating Good Reason, and (ii) following receipt of such notice, the Company fails to remedy such event within forty-five (45) days. If either condition is not met, the Executive shall not have a Good Reason to terminate his employment.

3.1.5 **Continuation of Provisions.** Notwithstanding any termination of the Executive's employment with the Company, the Executive, in consideration of the Executive's employment hereunder to the date of employment termination, shall remain bound by the provisions of this Agreement which specifically relate to periods, activities or obligations upon or subsequent to the termination of the Executive's employment, including, but not limited to, the covenants contained in Articles IV and V hereof.

3.1.6 **Surrender of Records and Property.** Upon any termination of the Executive's employment with the Company, the Executive shall deliver promptly to the Company the Executive's security access card, and all records, manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, computer disks, computer software, computer programs (including source code, object code, on-line files, documentation, testing materials and plans and reports), designs, drawings, formulae, data, tables or calculations or copies thereof, which are the property of the Company or any Company Affiliate or which relate in any way to the business, products, practices or techniques of the Company or any Company Affiliate, and all other property, trade secrets and "Confidential Information" (as defined in Section 4.1) of the Company or any Company Affiliate, including, but not limited to, all tangible, written, graphical, machine readable and other materials (including all copies) which in whole or in part contain any trade secrets or Confidential Information of the Company or any Company Affiliate which in any of these cases are in the Executive's possession or under the Executive's control. This includes all copies or specimens in the Executive's possession, whether prepared or made by others or the Executive. Upon any termination of the Executive's employment, the Executive shall also refrain from accessing the Company's files via computer or modem. The Executive shall acknowledge in writing the return of all such materials, when requested to do so by the Company.

Notwithstanding the foregoing, the Executive shall be entitled to retain one copy of this Agreement, any stock option, restricted stock or other plan or agreement with the Company pursuant to which the Executive retains any rights at the time of his employment termination with the Company, and documentation provided to the Executive during his employment relating to such compensation or benefits.

3.2 **Compensation Following Termination of Employment.** Upon the termination of the Executive's employment with the Company, the Executive shall be entitled only to the following compensation and benefits upon such termination:

3.2.1 **Termination by Reason of the Executive's Death or Total Disability.** In the event that the Executive's employment is terminated by reason of the Executive's death or Total Disability, then the Company shall pay the following amounts to the Executive, the Executive's spouse or his estate, as the case may be: (a) any amounts due to the Executive for Annual Base Salary through the date of employment termination, together with (b) any other unpaid and pro rata amounts to which the Executive is entitled as of the date of termination pursuant to Article II of this Agreement, including, without limitation, amounts that the Executive is entitled to under any benefit plan of the Company in accordance with the terms of such plan.

Except as otherwise specified above (or in any applicable award agreement between the Company and the Executive which is in effect on the date of employment termination hereunder), the Executive will have no rights to any unvested benefits or any other compensation or payments coming due after the date of the Executive's employment termination, nor shall the Company have any further obligations under this Agreement.

3.2.2 **Termination by the Company for Cause or by the Executive Without Good Reason.** If the Executive's employment is terminated by the Company for Cause or the Executive voluntarily terminates employment without Good Reason, the Company shall pay to the Executive (a) any Annual Base Salary earned but not paid through the date of the Executive's employment termination, plus (b) the amount of any other benefits to which the Executive is legally entitled as of such date under the terms and conditions of any benefit plans of the Company in which the Executive is participating as of such date.

Except as otherwise specified above (or in any applicable award agreement between the Company and the Executive which is in effect on the date of employment termination hereunder), the Executive will have no rights to any unvested benefits or any other compensation or payments coming due after the date of the Executive's employment

termination, nor shall the Company have any further obligations under this Agreement.

3.2.3 Termination by the Executive for Good Reason or by the Company Without Cause. In the event that the Executive's employment is terminated by the Executive for Good Reason or by the Company without Cause, and provided that the Executive has executed a written release to the Company in substantially the same form attached hereto as Exhibit A and the rescission period specified therein has expired, the Company shall pay:

- (a) the following amounts to the Executive:
 - (i) twelve (12) months of severance pay at the Executive's then-current level of base monthly salary in accordance with regular Company payroll practices;
 - (ii) for a period of twelve (12) months commencing on the first anniversary of the initial payment in paragraph 3.2.1(a)(i), a monthly payment during each month in such twelve (12) month period equal to the amount, if any, that the Executive's monthly base salary at the time of his termination exceeds his monthly compensation during that month in such twelve (12) month period. In order to be eligible to receive any such payment, Executive agrees that he will make reasonable, good faith efforts to secure other employment and that he will provide the Company a copy of documentation concerning his monthly compensation, such as his payroll statement or, if applicable, his written statement that he is not then employed, and within thirty (30) days thereafter, the Company will make such differential payment to Executive;
 - (iii) executive-level outplacement counseling and support services for a period of up to twelve (12) months, to be provided through the Company's then current preferred provider of such services; and
 - (iv) to assist the Executive with other costs and expenses he may incur in connection with his employment transition, an additional lump sum payment of Thirteen Thousand Dollars (\$13,000), which shall be paid to the Executive within thirty (30) days of the effective date of the separation agreement and release referenced above.
- (b) the amount of any other benefits to which the Executive is legally entitled as of the date of Executive's employment termination under the terms and conditions of any benefit plans of the Company in which the Executive is participating as of such date.

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- (c) any amounts which may be due under the provisions of Section 2.4 above with respect to the Retention Bonus.

Except as otherwise specified above (or in any applicable award agreement between the Company and the Executive which is in effect on the date of employment termination hereunder), the Executive will have no rights to any unvested benefits or any other compensation or payments coming due after the date of the Executive's employment termination, nor shall the Company have any further obligations under this Agreement.

3.3 No Other Benefits. If the Executive receives the payments and benefits described in this Article III, the Executive will not be eligible to receive from the Company or any Affiliate any other severance or termination payments or benefits of any kind, including but not limited to those provided in Article II of this Agreement. Furthermore, this Agreement is not intended to provide the Executive with payments or benefits that are duplicative or overlap payments or benefits that will be paid or provided to the Executive under other agreements between the Executive and the Company or its "Affiliates" (as defined below). Accordingly, except as provided herein, the Executive acknowledges that this Agreement shall supersede and replace in their entirety any and all other policies and/or agreements to which the Executive and the Company or any of its Affiliates are a party that provide severance or continuation of income payments to the Executive or the Executive's family following the termination of the Executive's employment, except for the Executive Retention Agreement to be executed as of the Commencement Date and thereafter attached hereto as Exhibit B (the "Retention Agreement"). This Agreement will be superseded and replaced in its entirety by the Retention Agreement on the Effective Date thereof or upon the termination prior to the Effective Date of the Executive's employment by (i) the Company without Cause or (ii) the Executive for Good Reason, where the effect of such termination is to entitle the Executive to receive the benefits described in Section V.A of the Retention Agreement as a result of the occurrence of event or circumstances described in Section IV. H of the Retention Agreement. As used herein, the term "Affiliate" means a company which is directly, or indirectly through one or more intermediaries, controlled by or under common control with another company where control shall mean the right, either directly or indirectly, to elect the majority of the directors thereof without the consent or acquiescence of any third party.

ARTICLE IV: CONFIDENTIAL INFORMATION

4.1 Nondisclosure. At all times during the Executive's employment and for a period of two years thereafter, the Executive will hold in the strictest confidence and will not disclose, use, lecture upon or publish any of the Company's Confidential Information, except as such disclosure, use or publication may be required in connection with the Executive's work for the Company, or unless the Company expressly authorizes such disclosure in writing. The Executive will obtain the Company's written approval before publishing or submitting for publication any material (written, verbal or otherwise) that relates to the Executive's work at the Company and/or incorporates any Confidential Information. The Executive hereby assigns to the Company any and all rights, title and interest the Executive may have or acquire in the Confidential Information and recognizes that all of the Confidential Information is and shall be the sole property of the Company and its successors and assigns.

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As used herein, "Confidential Information" means information that was developed, created, or discovered by or on behalf of the Company or any of its Affiliates, or which became or will become known by, or was or is conveyed to the Company, which has commercial value in the Company's business and which the Company regards as confidential. "Confidential Information" includes, but is not limited to, customer and mailing lists, cost and pricing information, employee data, financial data, business plans, sales and marketing plans, business acquisition or divestiture plans, research and development activities relating to existing commercial activities and new products, services and offerings under active consideration, software programs, and trade secrets which the Executive may have acquired during the course of his employment with the Company or its Affiliates or which is received in confidence by or for the Company from any other person. The foregoing obligation shall not apply to (i) any information which was known to the Executive prior to disclosure to him by the Company or any of its Affiliates; (ii) any information which was in the public domain prior to its disclosure to the Executive; (iii) any information which comes into the public domain through no fault of the Executive; (iv) any information which the Executive is required to disclose by a court or similar authority or under subpoena, provided that the Executive provides the Company with notice thereof and assists, at the Company's or its Affiliates sole expense, any reasonable endeavor of the Company or any of its Affiliates by appropriate means to obtain a protective order limiting the disclosure of such information; and (v) any information which is disclosed to the Executive by a third party which has a legal right to make such disclosure.

ARTICLE V: NON-COMPETITION, NON-SOLICITATION NON-HIRE AND NON-DISPARAGEMENT

5.1 **Non-Competition Covenant.** In consideration of the financial and other benefits described in this Agreement, the Executive agrees that, during the period commencing on the Commencement Date and ending on the date that is two (2) years after the date on which the Executive ceases to be employed by the Company (for whatever reason and whether such cessation is occasioned by the Company or the Executive), the Executive shall not, directly or indirectly, and in any manner or capacity (e.g., as an advisor, principal, agent, partner, officer, director, investor, shareholder, employee, member of any association or otherwise), engage in any business activities that are competitive with the business conducted by the Company or any Company Affiliate on or prior to the date the Executive ceases to be employed by the Company. Notwithstanding the foregoing, Executive may accept employment with a large, diversified employer whose business enterprises include, but are not limited to, business activities competitive with the business conducted by the Company provided that, prior to Executive's acceptance of such employment, the Company shall receive separate written assurances satisfactory to it from Executive and from such employer that Executive will not be engaged in, exercise authority over, or render services to any portion of that diversified business that is engaged in activities competitive with the business of the Company.

5.2 **Geographical Extent of Covenant.** The Executive acknowledges that the Company directly, or indirectly through the Company Affiliates, currently is engaged in business throughout North America, including each county, state and province thereof. Consequently, the Executive agrees that his obligations under this Article V shall apply in any market in North America in which: (a) the Company or, as applicable, a Company Affiliate(s), operates during the one-year period described in Section 5.1; and (b) the Company or, as applicable, a Company Affiliate(s), has plans to enter on the date the Executive ceases to be employed by the Company.

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

5.4 **Non-Solicitation And Non-Hire.** The Executive agrees that, for a period of two (2) years after termination of his employment for any reason (and whether occasioned by the Company or the Executive), the Executive shall not, except with the prior written consent of the Company: (a) hire or attempt to hire for employment any person who is employed by the Company or a Company Affiliate, or attempt to influence any such person to terminate employment with the Company or any Company Affiliate; (b) induce or attempt to induce any employee of the Company or any Company Affiliate to work for, render services to, provide advice to, or supply confidential business information or trade secrets of the Company or any Company Affiliate to any third person, firm or corporation; or (c) induce or attempt to induce any customer, supplier, licensee, licensor or other business relation of the Company or any Company Affiliate to cease doing business with the Company or such Company Affiliate, or in any way interfere with the relationship between any such customer, supplier, licensee, licensor or other business relation and the Company or any Company Affiliate. Nothing herein shall prohibit the Executive from general advertising for personnel not specifically targeting any employee or other personnel of the Company, or from hiring any such employee or other personnel responding to such general advertising.

The foregoing limitations shall not apply with respect to: (i) any former employee of the Company whose employment terminated prior to the Commencement Date, or (ii) any employee of the Company whose employment is terminated after the Commencement Date and prior to the date of the Executive's termination of employment, so long as at least six (6) months have passed between the date of such employee's employment termination and the date of any action by the Executive set forth in the first sentence of this Section 5.4.

5.5 **Non-Disparagement.** During and after the Term, the Executive agrees not to make any remarks (whether in public or private) knowingly or intentionally disparaging the Company or any Company Affiliate, or their respective products, services, officers, director or employees, whether past or current, including any present, former or future director, officer, employee or agent of the Company or any Company Affiliate.

ARTICLE VI: DISPUTE RESOLUTION PROCESS

6.1 **Dispute Defined.** The Company and the Executive desire to establish a reasonable and confidential means of resolving any dispute, question or interpretation arising out of or relating to (i) this Agreement or the alleged breach or threatened breach of it, (ii) the making of this Agreement, including claims of fraud in the inducement, (iii) the Executive's employment by the Company pursuant to this Agreement, including claims of wrongful termination or discrimination, or (iv) any activities by the Executive restricted by Articles IV and V of this Agreement following the cessation of his employment with the Company (each such dispute to be referred to herein as a "Dispute").

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6.2 **Procedure.** In furtherance of the parties' mutual desire, the Company and the Executive agree that if either party believes a Dispute exists, that party shall provide the other with written notice of the claimed Dispute. Upon receipt of that written notice, the following procedure shall be the exclusive means of fully and finally resolving the Dispute. First, within thirty (30) days of the other party receiving that notice, the Executive and appropriate representatives of the Company and/or Board will meet to attempt to resolve amicably the Dispute. Second, if a mutually agreeable resolution is not reached within thirty (30) days following the parties' first meeting, the parties will engage in mediation with a mutually agreeable neutral mediator, said mediation to be held within forty-five (45) days of the final meeting between the Executive and representatives of the Company and/or Board. The Company shall pay the fees and expenses of the mediator. Third, if the Dispute is not resolved through mediation within thirty (30) days, the Dispute shall be resolved exclusively by final and binding arbitration held in accordance with the provisions of this Agreement and the American Arbitration Association ("AAA") National Rules for the Resolution of Employment Disputes then in effect, unless such rules are inconsistent with the provisions of this Agreement. In connection with such arbitration:

- (a) Any such arbitration shall be conducted: (A) by a neutral arbitrator appointed by mutual agreement of the parties; or (B) failing such agreement, by a neutral arbitrator appointed in accordance with said AAA rules;
- (b) The parties shall be permitted reasonable discovery in accordance with the provisions of the Minnesota Rules of Civil Procedure, including the production of relevant documents by the other party, the exchange of witness lists, and a limited number of depositions, including depositions of any expert who will testify at the arbitration;
- (c) The arbitrator's award shall include findings of fact and conclusions of law showing the legal and factual basis for the arbitrator's decision, which decision shall be final and binding upon the parties;
- (d) The arbitrator shall have the authority to award to the prevailing party any remedy or relief that a United States District Court or court of the State of Minnesota could order or grant in accordance with its applicable standards if the dispute had first been brought in that judicial forum, including costs and

attorneys' fees;

- (e) The arbitrator's award may be entered as a judgment by any court of competent jurisdiction; and
- (f) Unless otherwise agreed by the parties, the place of any arbitration proceeding shall be Minneapolis, Minnesota.

6.3 **Confidentiality of Dispute Resolution.** Except as the parties shall agree in writing, upon court order, or as required by law, neither the Company nor the Executive will disclose to any third party, except for their counsel, retained experts and other persons directly serving counsel or retained experts, any fact or information in any way pertaining to the process of resolving a Dispute under this Article VI, or to the fact of or any term that is part of a resolution or settlement of any Dispute. This prohibition on disclosure specifically includes, without limitation, any disclosure of an oral statement or of a written document made or provided by either the Executive or the Company, or by any of its or his representatives, counsel or retained experts, or other persons directly serving any representatives, counsel or retained experts.

6.4 **Right to Injunctive Relief.** The Executive acknowledges and agrees that the services to be rendered by him hereunder are of a special, unique and extraordinary character, that it would be difficult to replace such services and that any violation of the Executive's obligations under either Article IV or Article V would be highly injurious to the Company and/or to any Company Affiliate and that it would be extremely difficult to compensate the Company and/or any Company Affiliate fully for damages for any such violation. Accordingly, notwithstanding the terms of this Article VI, the Company or any Company Affiliate, as the case may be, shall be entitled to seek, without the necessity of posting bond or proving any monetary damages and without any requirement to engage in any dispute resolution process outlined in this Article VI, temporary and permanent injunctive relief from a court of law, in the event of violation by the Executive of any of his obligations under any provision of either Article IV or Article V. This provision with respect to injunctive relief shall not, however, diminish the right of the Company, any Company Affiliate or the Executive to claim and recover damages, or to seek and obtain any other relief available to it pursuant to the provisions of this Article VI.

ARTICLE VII: ASSIGNMENT; SUCCESSORS.

7.1 **Assignment.** This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive. This Agreement shall inure to the benefit of and be enforceable by the Executive's heirs, executors and administrators.

7.2 **Successors.** This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, provided that the Company may not assign this Agreement except in connection with the assignment or disposition of all or substantially all of the assets or stock of the Company, or by law as a result of a merger or consolidation.

ARTICLE VIII: MISCELLANEOUS PROVISIONS

8.1 **Reimbursement of Fees.** The Company will reimburse Executive for reasonable legal and tax advice expenses and costs incurred with respect to the negotiation, preparation and execution of this Agreement in an amount not to exceed Fifteen Thousand Dollars (\$15,000).

8.2 **Notices.** All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party, by registered or certified mail, return receipt requested, postage prepaid, or by telefacsimile with printed confirmation, addressed as follows:

If to the Executive:
Lee Schram

, Minnesota 55
Fax:

With a copy to:

Fax:
Attention:

If to the Company by mail or fax:
Deluxe Corporation
3680 Victoria Street North
Shoreview, MN 55126-2966
Attention: General Counsel and
Senior Vice President, Human Resources
Facsimile: (651) 787-1400

or to such other address as either party furnishes to the other in writing in accordance with this paragraph. Notices and communications shall be effective when actually received by the addressee or three (3) days after the initiation of delivery; provided, that this period will not extend any period of notice specifically set forth in this Agreement.

Any party may change the address for the purpose of this Section by giving the other written notice of the new address in the manner set forth above.

8.3 **Enforceability.** To the extent any provision of this Agreement shall be determined to be invalid or unenforceable in any jurisdiction, such provision shall be deemed to be deleted from this Agreement as to such jurisdiction only, and the validity and enforceability of the remainder of such provision and of this Agreement shall be

unaffected. In furtherance of and not in limitation of the foregoing, the Executive and the Company expressly agree that should the duration of, geographical extent of, or business activities covered by, any provision of this Agreement be in excess of that which is valid or enforceable under applicable law in a given jurisdiction, then such provision, as to such jurisdiction only, shall be construed to cover only that duration, extent or activities that may validly or enforceably be covered. The Company and the Executive acknowledge the uncertainty of the law in this area with respect to Sections 5.1 and 5.2, and expressly stipulate that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

8.4 **Taxes.** Notwithstanding any other provision of this Agreement, the Company shall withhold from any amount payable under this Agreement all federal, state, local and foreign taxes that are required to be withheld by applicable laws or regulations, or that are consistent with the Company's prevailing practice.

8.5 **Governing Law, Construction, and Severability.** The validity, interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Minnesota. In the event any provision of this Agreement shall be held illegal or invalid for any reason, said illegality or invalidity shall not in any way affect the legality or validity of any other provision of this Agreement. It is the intention of the parties hereto that the Company be given the broadest possible protection respecting its Confidential Information and trade secrets and respecting competition by the Executive following the Executive's separation from the Company.

8.6 **Venue.** Any action at law, suit in equity or judicial proceeding arising directly, indirectly or otherwise in connection with, out of, related to or from this Agreement or any provision hereof shall be litigated only in the State of Minnesota, Hennepin County District Court, or the United States District Court for the District of Minnesota. The Executive waives any right the Executive may have to transfer or change the venue of any litigation brought against the Executive by the Company.

8.7 **Entire Agreement.** This Agreement (together with the Exhibit attached hereto and the other agreements between the Company and the Executive referenced herein) is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes all prior discussions between the Company and the Executive regarding the subject matter hereof. No modification of, or amendment to, this Agreement, nor any waiver of either party's rights under this Agreement, will be effective unless in writing and signed by both parties. Any subsequent change or changes in the Executive's duties, obligations, salary or compensation will not affect the validity or scope of this Agreement.

8.8 **Counterparts.** This Agreement may be simultaneously executed in any number of counterparts, and such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

8.9 **Captions and Headings.** The captions and paragraph headings used in this Agreement are for convenience of reference only, and shall not affect the construction or interpretation of this Agreement or any of the provisions hereof.

8.10 **Survivability.** The provisions of this Agreement that by their terms call for performance subsequent to termination of the Executive's employment under this Agreement, or of this Agreement, shall so survive such termination. For purposes of clarification and not in limitation of the foregoing sentence, the parties acknowledge and agree that Articles IV, V and VIII, and Section 3.1.6 shall survive the termination of this Agreement.

8.11 **Waiver.** No waiver by the Company or the Executive of any breach or violation of this Agreement shall be a waiver of any preceding or succeeding breach or violation. No waiver by the Company or the Executive of any right under this Agreement shall be construed as a waiver of any other right hereunder. Except as otherwise provided in Section 3.1.2 or Section 3.1.4, neither the Company nor the Executive shall not be required to give notice to enforce strict adherence to any of the terms or conditions of this Agreement.

8.12 **Advice of Counsel.** The Executive acknowledges that he has been provided the opportunity to seek, and has obtained, the advice of counsel in connection with the negotiation and execution of this Agreement.

8.13 **No Strict Construction.** Each of the Executive and the Company acknowledges and agrees that the language used in this Agreement and the other agreements referred to herein is, and shall be deemed to be, the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against either party hereto.

8.14 **Good Faith and Fair Dealing.** Each of the Executive and the Company acknowledges and agrees that his or its respective performance of his or its obligations under this Agreement shall be conducted in good faith and with fair dealing toward the other party hereto.

8.15 **Tax Compliance.** Notwithstanding anything to the contrary herein, if either the Company or the Executive determines in good faith that any payment or benefit due to the Executive under this Agreement is subject to Section 409A(a)(2)(B)(i) of the Internal Revenue Code, as amended (the "Code") (the six month distribution delay requirement for certain payments to key employees of publicly traded companies), such payment or benefit shall not be made or provided sooner than permitted under such Section 409A(a)(2)(B)(i) and shall be made or provided on the date that is the first business day after the date that is six months after the date of "separation from service", as such phrase is defined under Section 409A of the Code ("Section 409A") and the guidance and regulations interpreting Section 409A. The Company shall consult with the Executive before making any such determinations.

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

Dated this 10th day of April, 2006

/s/ Lee Schram
Lee Schram

DELUXE CORPORATION

By /s/ Charles A. Haggerty
Charles A. Haggerty
Chair, Compensation Committee
of the Board of Directors
of Deluxe Corporation

EXHIBIT A

RELEASE

This Release ("Release") is entered into as of _____, 20__, by and between Deluxe Corporation, a Minnesota corporation ("Deluxe"), and _____ ("Executive"), an individual residing in the State of Minnesota.

WHEREAS, this Release is provided pursuant to Section 3.2.3 of the Employment Agreement dated as of April __, 2006, by and between Deluxe and Executive (the "Employment Agreement").

1. Release of Claims. In consideration of the promises, covenants and other valuable consideration provided by Deluxe in the Employment Agreement and otherwise, Executive hereby unconditionally releases and discharges Deluxe and its affiliates, and their current and former employees, officers, agents, directors, and shareholders (collectively referred to as "Released Parties") from any and all claims, causes of action, losses, obligations, liabilities, damages, judgments, costs, expenses (including attorneys' fees) of any nature whatsoever, known or unknown, contingent or non-contingent (collectively, "Claims"), that Executive had or has as of the date of this Release arising (i) out of Executive's hiring, employment, or separation from employment with Deluxe and (ii) under any federal or state law, including, but not limited to, the Age Discrimination in Employment Act of 1967, 42 U.S.C. §§ 1981-1988, Title VII of the Civil Rights Act of 1964, the Equal Pay Act, the Employee Retirement Income Security Act of 1974, the Consolidated Omnibus Budget Reconciliation Act of 1986, the National Labor Relations Act, the Occupational Safety and Health Act, the Fair Labor Standards Act, the Family and Medical Leave Act of 1993, the Workers Adjustment and Retraining Notification Act, the Americans with Disabilities Act of 1990, the Minnesota Labor Code, the Minnesota Human Rights Act, and any provision of the state or federal Constitutions or Minnesota common law. This Release includes but is not limited to any claims Executive may have for salary, wages, severance pay, vacation pay, sick pay, bonuses, benefits, pension, stock options, overtime, and any other compensation or benefit of any nature. This release also includes but is not limited to all common law claims including but not limited to claims for wrongful discharge, breach of express or implied contract, implied covenant of good faith and fair dealing, intentional or negligent infliction of emotional distress, violation of public policy, defamation, conspiracy, invasion of privacy, and/or tortious interference with current or prospective business relationships. Furthermore, Executive relinquishes any right to re-employment with Deluxe or the Released Parties. Executive also relinquishes any right to further payment or benefits under any employment agreement, benefit plan or severance arrangement maintained or previously or subsequently maintained by Deluxe or any of the Released Parties or any of its respective predecessors or successors, except that he does not release any post-employment rights he has under the Employment Agreement or any plans referenced in that Agreement. Executive also does not release his right to indemnification and advancement of expenses for defense under any agreement he has entered into with Deluxe, under Deluxe's charter or by-laws or under any insurance policy maintained by Deluxe that is applicable to its current or former directors and officers, or under any applicable law relating to officers, directors or employees.

2. No Claims Against Released Parties. Executive warrants and represents that, to the full extent permitted by law, he will not bring against Deluxe or any of the Released Parties any claim or lawsuit seeking monetary damages that is related to any matters released by Executive under Section 1 of this Release. Executive agrees that if he brings or asserts any such action or lawsuit, he shall pay all costs and expenses, including reasonable attorneys' fees, incurred by Deluxe or the Released Parties in dismissing or defending the action or lawsuit. Nothing in this provision, however, shall be interpreted to: (a) prevent Executive from bringing a claim or lawsuit to enforce the terms of this Release or the post-employment rights provided in the Employment Agreement, nor (b) prevent him from filing a charge with, or participating in any investigation conducted by, a governmental agency provided, however, Executive agrees that he is waiving the right to obtain monetary damages or other individual relief (legal or equitable) awarded as a result of any such charge or investigation against Deluxe or the Released Parties.

3. Rescission. Executive has been informed of his right to revoke this Release insofar as it extends to potential claims under the Age Discrimination in Employment Act by informing Deluxe of his intent to revoke this Release within seven (7) calendar days following the Execution Date. Executive has likewise been informed of his right to rescind this Release insofar as it relates to potential claims under the Minnesota Human Rights Act by written notice to Deluxe within fifteen (15) calendar days following the Execution Date. Executive has further been informed and understands that any such rescission must be in writing and hand-delivered to Deluxe or, if sent by mail, postmarked within the applicable time period, sent by certified mail, return receipt requested, and addressed as follows:

[Name]
Senior Vice President, Human Resources
Deluxe Corporation
3680 Victoria Street North
Shoreview, MN 55126-2966

Executive and Deluxe agree that if Executive exercises this right of rescission, this Release shall be null and void and Executive shall return to Deluxe any consideration paid or benefit provided in connection with this Release contemporaneously with the delivery of rescission notice. Executive specifically understands and agrees that any attempt by him to revoke this Release after the specified period for rescission has expired is, or will be, ineffective.

4. Breach of this Release. If a court of competent jurisdiction determines that either party has breached or failed to perform any part of this Release, the parties agree that the non-breaching party shall be entitled to injunctive relief to enforce this Release and that the breaching party shall be responsible for paying the non-breaching party's costs and attorneys' fees incurred in enforcing this Release.

5. Severability. If any provision of this Release is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force and effect.

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6. Opportunity to Review. Executive has read this Release and agrees to the conditions and obligations set forth. Further, Executive agrees that he has had adequate time to consider the terms of this Release, that he is voluntarily entering into this Release with full understanding of its meaning, and that he has in fact consulted with his attorneys for advice in connection with this Release.

7. Notices. All notices and other communications hereunder will be in writing. Any notice or other communication hereunder shall be deemed duly given if it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth:

If to Executive: To his current residence address maintained in Deluxe's records.

If to Deluxe:

Deluxe Corporation
3680 Victoria Street North
Shoreview, MN 55126-2966
Attention: General Counsel, and
Senior Vice President, Human Resources

Any party may send any notice or other communication hereunder to the intended recipient at the address set forth using any other means (including personal delivery, expedited courier, messenger services, facsimile, ordinary mail or electronic mail), but no such notice or other communication shall be deemed to have been duly given unless and until it is actually received by the intended recipient. Any party may change the address to which notices and other communications hereunder are to be delivered by giving the other Party notice in the manner set forth herein.

8. Choice of Law. This Release shall be deemed performable by all parties in, and venue shall be in the state or federal courts located in, Ramsey County, Minnesota, and the construction and enforcement of this Release shall be governed by Minnesota law without regard to its conflict of laws rules.

9. No Assignment of Claims. Executive represents and warrants that he has not transferred or assigned to any person or entity any Claim involving Deluxe or the Released Parties or any portion thereof or interest therein.

10. Binding Effect of Release. This Release shall be binding upon Executive and his heirs, administrators, representatives, executors, successors and permitted assigns.

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11. Time to Sign and Return Release. Executive acknowledges and agrees that he first received the original of this Release on or before _____, 200__. Executive also understands and agrees that he has been given at least 21 calendar days from the date he first received this Release to obtain the advice and counsel of the legal representative of his choice and to decide whether to sign it. Executive acknowledges that he has been advised and has sought the advice of his own counsel. No separation payments or other post-employment rights or benefits provided by the Employment Agreement shall become due until Executive has executed this Release. Executive represents and agrees that he has thoroughly discussed all aspects and effects of this Release with his attorney, that he has had a reasonable time to review this Release, that he fully understands all the provisions of this Release and that he is voluntarily entering into this Release. BY SIGNING THIS RELEASE, EXECUTIVE ACKNOWLEDGES THAT HE HAS CAREFULLY READ THIS RELEASE, THAT HE UNDERSTANDS ALL OF ITS TERMS, AND THAT HE IS ENTERING INTO IT VOLUNTARILY. HE FURTHER ACKNOWLEDGES THAT HE IS AWARE OF HIS RIGHTS TO REVIEW AND CONSIDER THIS RELEASE FOR 21 DAYS AND TO CONSULT WITH AN ATTORNEY ABOUT IT, AND STATES THAT BEFORE SIGNING THIS RELEASE, HE HAS EXERCISED THESE RIGHTS TO THE FULL EXTENT THAT HE DESIRED. HE ALSO ACKNOWLEDGES THAT HE WILL BE RECEIVING BENEFITS THAT HE WOULD NOT OTHERWISE BE ENTITLED TO RECEIVE EXCEPT BY VIRTUE OF HIS ENTERING INTO THIS RELEASE.

[NAME]

EXECUTIVE

EXECUTIVE RETENTION AGREEMENT

AGREEMENT by and between Deluxe Corporation, a Minnesota corporation (the "Company") and _____ (the "Executive") dated as of the ____ day of _____, 2006.

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below). The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks associated with a Change of Control and to encourage the Executive's full attention and dedication to the Company and its business strategies and to provide the Executive with compensation and benefits arrangements upon the occurrence of a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied in that event and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

I. Certain Definitions.

- A. "Affiliate" shall mean a company controlled directly or indirectly by the Company where "control" shall mean the right, either directly or indirectly, to elect a majority of the directors thereof without the consent or acquiescence of any third party.
- B. "Beneficial Owner" shall have the meaning defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.
- C. "Change of Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:
1. any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 20% or more

of the combined voting power of the Company's then outstanding securities, excluding, at the time of their original acquisition, from the calculation of securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates or in connection with a transaction described in clause (a) of paragraph 3 below; or

2. the individuals who at the date of this Agreement constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election consent, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors as of the date of this Agreement or whose appointment, election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or
3. there is consummated a merger or consolidation of the Company or any Affiliate with any other company, other than (a) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Affiliate, at least 65% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities; or

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4. the shareholders of the Company approve a plan of complete liquidation of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 65% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.
 5. Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.
- D. "Change of Control Period" shall mean the period commencing on the date hereof and ending on December 18, 2008; provided, however, that commencing on December 18, 2006, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), the Change of Control Period shall be automatically extended so as to terminate three years from such Renewal Date, unless at least 120 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.
- E. "Effective Date" shall mean the first date during the Change of Control Period on which a Change of Control occurs.
- F. "Person" shall have the meaning defined in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter

temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

II. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the second anniversary of such date (the "Employment Period").

III. Terms of Employment.

A. Position and Duties.

1. Except with Executive's written consent given in his or her discretion, during the Employment Period, (a) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 180-day period immediately preceding the Effective Date and (b) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or at a location less than 50 miles from such location.
2. During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (a) serve on corporate, civic or charitable boards or committees, (b) deliver lectures, fulfill speaking engagements or teach at educational institutions and (c) manage personal investments, so long as such activities do not significantly interfere with the

performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

B. Compensation.

1. Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid not less often than monthly, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its Affiliates in respect to the twelve-month period immediately preceding the month in which the Effective Date occurs, provided, however, that Annual Base Salary may be reduced to an amount not less than ninety percent (90%) of the Annual Base Salary in effect on the Effective Date pursuant to a general (across-the-board) reduction of base salary similarly affecting all senior officers of the Company or its Affiliates, as the case may be, and all senior officers of any Person in control of the Company. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Except as set forth in the first sentence of this paragraph, Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased.
2. Annual Incentive Payment or Bonus. In addition to Annual Base Salary, the Executive shall be paid, for each fiscal year ending during the Employment Period (ratably apportioned in

the case of any fiscal year included within the Employment Period but which does not end within the Employment Period), an annual incentive payment or bonus (the "Annual Incentive Payment") in cash on the same basis as such incentive payments or bonuses are paid to other peer executives. For example, if annual incentive payments are paid to other peer executives under the Company's annual incentive plan, the target award for the Executive shall be established in the same manner as the target award for the other peer executives (e.g., by reference to a percentile target based on comparative market data) and the performance criteria and performance measurements governing any payment earned by Executive shall be based on the same performance criteria (such as earnings per share or return on average capital employed) and performance measurements applied to the other peer executives. Notwithstanding the foregoing, if the payment of a bonus to other peer executives is, in whole or part, not based on objective performance criteria, Executive's Annual Incentive Payment shall be at least equal to the greater of (a) the average of Executive's Annual Incentive Payments for the last three full fiscal years prior to the Effective Date or, if Executive was not in the employment of the Company or its Affiliates during one or more of the last three full fiscal years, the average of Executive's Annual Incentive Payments during the number of full fiscal years prior to the Effective Date that the Executive was so employed (annualized, in either case, in the event that the Executive was not employed by the Company for the whole of any such fiscal year), provided that any special or one-time awards (such as those associated with a new hire or promotion) shall not be taken into account and (b) the Executive's annual target incentive or bonus opportunity as in effect under the Company's annual incentive or bonus plans during the last fiscal year immediately

preceding the Effective Date, provided that any special or one time awards (such as those associated with a new hire or promotion) shall not be taken into account (such greater amount being hereinafter referred to as the "Recent Annual Incentive Payment"). Each such Annual Incentive Payment shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Incentive Payment is

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awarded, unless the Executive shall elect to defer the receipt of such Annual Incentive Payment.

3. Stock Incentive Plans. During the Employment Period, the Executive shall be entitled to participate in the Company's stock incentive, performance share and other stock-based incentive plans (if any), on the same basis as other peer executives. For example, if other peer executives are awarded stock options or performance shares based on references to comparative market data, Executive's awards shall be made on the same basis, and shall, in any event, contain the same terms and conditions, and if applicable, be subject to the same performance criteria, as applied to awards to other peer executives. Notwithstanding the foregoing, such long-term incentive opportunities for the Executive shall in no event be less favorable, in each case and in the aggregate, than those provided by the Company and its Affiliates for the Executive under such plans during the fiscal year immediately preceding the Effective Date, provided that any special or one-time awards (such as those associated with a new hire or promotion) shall not be taken into account.
4. Savings, Retirement and Other Incentive Plans. During the Employment Period, the Executive shall be entitled to participate in all other incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its Affiliates, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its Affiliates for the Executive under such plans, practices, policies and programs as in effect at any time during the one year period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its Affiliates, provided, however, that such benefits may be reduced

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pursuant to a general (across-the-board) reduction of such benefits similarly affecting all senior officers of the Company or its Affiliates, as the case may be, and all senior officers of any Person in control of the Company.

5. Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under all welfare benefit plans, practices, policies and programs provided by the Company and its Affiliates (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the Executive and/or the Executive's family, to the extent applicable generally to other peer executives of the Company and its Affiliates, as the case may be, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the one year period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its Affiliates, as the case may be, provided, however, that such benefits may be reduced pursuant to a general (across-the-board) reduction of such benefits similarly affecting all senior officers of the Company or its Affiliates, as the case may be, and all senior officers of any Person in control of the Company.
6. Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its Affiliates in effect for the Executive at any time during the one year period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its Affiliates, as the case may be.

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7. Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, use or reimbursement for the use of an automobile, as the case may be, and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its Affiliates in effect for the Executive at any time during the one year period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its Affiliates, as the case may be, provided, however, that such benefits may be reduced pursuant to a general (across-the-board) reduction of such benefits similarly affecting all senior officers of the Company or its Affiliates, as the case may be, and all senior officers of any Person in control of the Company.
8. Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, not materially less favorable with respect to the foregoing provided to the Executive by the Company and its Affiliates at any time during the one year period immediately preceding the Effective Date or, as provided generally at any time thereafter with respect to other peer executives of the Company and its Affiliates, as the case may be, and to similarly situated senior officers of any Person in control of the Company.

9. Vacation. During the Employment Period, the Executive shall be entitled to paid vacation and holidays in accordance with the most favorable plans, policies, programs and practices of the Company and its Affiliates as in effect for the Executive at any time during the one year period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its Affiliates, as the case may be.

IV. Termination of Employment.

- A. Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may, give a Notice of Termination to the Executive in accordance with Section XI.B. of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company or its Affiliates, as the case may be, shall terminate effective on the 30th day after receipt of the Notice of Termination by the Executive (unless such date is extended as provided in Section IV.F.), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company or its Affiliates, as the case may be, on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.
- B. Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:
1. the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company and its Affiliates (other than any such failure resulting from incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section IV.D. hereof), after a written demand for substantial performance is delivered to the Executive by the Board which specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or

2. the Executive's conviction of a felony or the willful engaging by the Executive in (a) other illegal conduct relating to the business or assets of the Company, or (b) gross misconduct which is materially injurious to the Company or its Affiliates.

For purposes of this provision, (a) no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company and (b) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Company establishes to the Committee (as defined in Section XI.J.) by clear and convincing evidence that Cause exists. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company (or if the Executive is counsel to the Company, based upon such Executive's own legal conclusions) shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company.

- C. Good Reason. The Executive's employment during the Employment Period may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:
1. except with Executive's written consent given in his or her discretion, (a) the assignment to the Executive of any duties materially inconsistent with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section III.A. of this Agreement, or (b) any other action by the Company which results in a material diminution in the Executive's position (or positions) with the Company or its Affiliates, excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive and excluding any diminution attributable to the fact that the Company is no longer a public company;
 2. any material reduction in the Executive's aggregate compensation and incentive opportunities, or any failure by the Company

3. the Company's requiring the Executive to be based at any location other than as provided in clause III.A.1(b) hereof;
4. any purported termination by the Company of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section IV.D hereof and otherwise expressly permitted by this Agreement. For purposes of this Agreement, no such purported termination shall be effective;
5. any failure by the Company to comply with and satisfy Section X.C. of this Agreement; or

6. any request or requirement by the Company of its Affiliates that the Executive take any action or omit to take any action that is inconsistent with or in violation of the Company's ethical guidelines and policies as the same existed within the 120 day period prior to the Effective Date or any professional ethical guidelines or principles that may be applicable to the Executive or, if Executive is counsel to the Company, requesting or requiring Executive to practice in or under the laws of any jurisdiction or appear before any court or other tribunal to or before which Executive is not admitted to practice.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute a consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

- D. Notice of Termination. Any purported termination of the Executive's employment during the Employment Period (other than by reason of death) shall be communicated by Notice of Termination to the other party hereto given in accordance with Section XI.B. of this Agreement.

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For purposes of this Agreement, a "Notice of Termination" means a written notice which (1) indicates the specific termination provision in this Agreement relied upon, (2) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (3) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph B.1. or B.2. above, and specifying the particulars thereof in reasonable detail. The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Disability, Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder;

- E. Date of Termination. "Date of Termination" means (1) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason or any other reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (2) if the Executive's employment is terminated during the Employment Period by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, (3) if the Executive's employment is terminated by reason of death during the Employment Period, the Date of Termination shall be the date of death of the Executive and (4) if the Executive's employment is terminated by the Company for Disability, the date Executive's employment is terminated as provided in Section IV.A., provided, however, the Date of Termination specified in this Section E. may be extended as provided in Section IV.F.

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- F. Dispute Concerning Termination. If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section IV.F.), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the earlier of (i) the date on which the Employment Period ends or (ii) the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.
- G. Compensation During Dispute. If a purported termination occurs during the Employment Period and the Date of Termination is extended in accordance with Section IV.F. hereof, the Company shall continue to pay the Executive the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was participating when the notice giving rise to the dispute was given, until the Date of Termination, as determined in accordance with Section IV.F. hereof. Amounts paid under this Section IV.G. are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.
- H. Pre-Effective Date Actions. For purposes of this Agreement, the Executive's employment shall be deemed to have been terminated during the Employment Period by the Company without Cause or by the Executive with Good Reason, if (i) the Executive's employment is terminated by the Company without Cause prior to the Effective Date (whether or not a Change of Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change of Control, (ii) the Executive terminates his employment for Good Reason prior to the Effective Date (whether or not a Change of Control ever occurs) and the circumstance or event

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which constitutes Good Reason occurs at the request or direction of such Person, or (iii) the Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change of Control (whether or not a Change of Control ever occurs).

- V. Obligations of the Company upon Termination.

A. Good Reason; Other Than for Cause. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

1. the Company shall pay to the Executive in a lump sum in cash within 5 days after the Date of Termination the aggregate of the following amounts:
 - (a) the sum of (i) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (ii) the product of (x) the greater of (I) the Executive's target bonus under the Company's annual incentive plan in respect of the year in which the Date of Termination occurs or, if greater, for the year in which the Change of Control occurs (the "Target Bonus") and (II) the Annual Incentive Payment that the Executive would have earned for the year in which the Date of Termination occurs based upon projecting to the end of such year the Company's actual performance through the Date of Termination with respect to the performance measures on which such payment would have been based and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which 365 and (iii) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (i),

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(ii) and (iii) shall be hereinafter referred to as the "Accrued Obligations"); and

- (b) the amount equal to the product of (i) three and (ii) the sum of (x) the Executive's Annual Base Salary and (y) the greater of (I) the Executive's Target Bonus and (II) the average of Executive's Annual Incentive Payments for the last three full fiscal years prior to the Effective Date or, if Executive was not in the employment of the Company or its Affiliates during one or more of the last three full fiscal years, the average of Executive's Annual Incentive Payments during the number of full fiscal years prior to the Effective Date that the Executive was so employed (annualized, in either case, in the event that the Executive was not employed by the Company for the whole of any such fiscal year), provided that any special or one-time awards (such as those associated with a new hire or promotion) shall not be taken into account; and
- (c) an amount equal to the product of three times the higher of (i) the sum of the amounts that would have been contributed by the Company or any Affiliate based on the Reference Amount (defined below) to the Executive's account under (x) all of the retirement plans of the Company and its Affiliates in which the Executive was eligible to participate immediately prior to the Effective Date and (y) any excess or supplemental retirement plan in which the Executive was eligible to participate as of the Effective Date as such plans were in effect and funded for the fiscal year immediately preceding the Effective Date or (ii) the sum of the amounts that would have been contributed by the Company or any Affiliate based on the Reference Amount to the Executive's account under (x) all of the retirement plans of the Company and its Affiliates in which the Executive was eligible to participate immediately prior

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to the Date of Termination and (y) any excess or supplemental retirement plan in which the Executive was eligible to participate immediately prior to the Date of Termination as those plans were in effect and funded for the fiscal year immediately preceding the Date of Termination. For the purposes hereof, the term "Reference Amount" shall mean an amount equal to one-third of the amount calculated in clause V.A.1.(b) without adjustment in the case of death or Disability.

2. for three years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section III.B.5. of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its Affiliates and their families, as the case may be, provided, however, that if the Executive becomes re-employed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary and supplemental to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree welfare benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until three years after the Date of Termination and to have retired on the last day of such period as a qualified retiree of the Company;
3. the Company shall pay to the Executive in a lump sum in cash within 5 days after the Date of Termination an amount equal to the sum of a pro rata portion to the Date of Termination of the aggregate value of all contingent incentive compensation awards to the Executive for all then uncompleted periods under the Deluxe Value Growth Plan (if such plan is adopted by the Board) or any successor plan of the Company in which

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the Executive participates, calculated as to each such award by multiplying (i) the greater of (a) the award that the Executive would have earned on the last day of the performance award period, assuming the achievement, at the target level, of the individual and corporate performance goals established with respect to such award and (b) the award that the Executive would have earned on the last day of the performance award period, assuming the achievement of the individual and corporate performance goals established with respect to such award at the level that would have been achieved had performance for the portion of the performance award period preceding the date of termination been projected for the entire performance award period, by (ii) the fraction obtained by dividing the number of full months and any fractional portion of a month during such performance award period through the Date of Termination by the total number of months contained in such performance award period;

4. the Company shall, at its sole expense as incurred, provide the Executive with out-placement services the scope and provider of which shall be selected by the Executive in his or her sole discretion, provided, however, that the amount paid by the Company pursuant to this paragraph shall in no event exceed \$25,000; and
 5. to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided to the Executive or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its Affiliates (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").
- B. Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of

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the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section V.B. shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and its Affiliates, as the case may be, to the estates and beneficiaries of peer executives of the Company or such Affiliates under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the one year period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its Affiliates, as applicable, and their beneficiaries.

- C. Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section V.C. shall include, and the Executive shall be entitled after the Date of Termination to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its Affiliates, as applicable, to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the one year period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its Affiliates, as applicable, and their families.
- D. Cause: Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (1) his Annual Base Salary through the Date of Termination, (2) the amount of any

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compensation previously deferred by the Executive, and (3) Other Benefits, in each case to the extent theretofore unpaid. If the Executive terminates employment during the Employment Period, excluding a termination for Good Reason or Disability, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

- VI. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its Affiliates and for which the Executive may qualify, nor, subject to Section XI. F., shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its Affiliates. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contact or agreement with the Company or any of its Affiliates or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.
- VII. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as specifically provided in Section V.A.2. hereof, such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may incur in good faith as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section

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7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code"). Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

VIII.

Certain Additional Payments by the Company.

- A. Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or benefit received or to be received by the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change of Control or any Person affiliated with the Company or such Person, but determined without regard to any additional payments required under this Section VIII) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section VIII.A., if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Executive, after taking into account the Payments and the Gross-Up Payment, would not receive a net after-tax benefit of at least \$50,000 (taking into account both income taxes and any Excise Tax) as compared to the net after-tax benefit the Executive would receive if the Gross-Up Payment were eliminated and the Payments were reduced, in the aggregate, to an amount (the "Reduced Amount") such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount. For purposes of determining

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whether any of the Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Payments shall be treated as "parachute payments" (within the meaning of Section 280G(b) of the Code) unless, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the Accounting Firm (as defined below), such payments or benefits (in whole or in part) do not constitute parachute payments, including by reason of Section 280G(b)(4)(A) of the Code, (ii) all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of Tax Counsel, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the "base amount" (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax, and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accounting Firm in accordance with the principals of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of Executive's residence on the Date of Termination (or if there is no Date of Termination, then the date on which the Gross-Up Payment is calculated for purposes of this Section VIII.A.), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

- B. Subject to the provisions of Section VIII. C., all determinations required to be made under this Section VIII, including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the accounting firm that was, immediately prior to the Change of Control the Company's independent auditors (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that a Payment has been made or will be required, as the case may be, or such earlier time as is requested by the Company. All fees and expenses of the

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Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section VIII., shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section VIII.C. and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

- C. The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he or she gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:
1. give the Company any information reasonably requested by the Company relating to such claim,
 2. take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

3. cooperate with the Company in good faith in order to effectively contest such claim, and
4. permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section VIII.C., the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest and penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

- D. If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section VIII.C., the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section VIII.C.) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of any amount advanced by the Company pursuant to Section VIII.C., a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.
- E. The Gross-Up Payment shall be made not later than the fifth day following the Date of Termination; provided, however, that if the amount of such Gross-Up Payment, and the limitation on such payments set forth in Section VIII.A. hereof, cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Accounting Firm, of the minimum amount of such Gross-Up Payment to which the Executive is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth (5th) business day after demand by the Company (together with interest at 120% of the rate provided in section 1274(b)(2)(B) of the Code). At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Accounting Firm or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

- IX. Confidential Information. During the term of this Agreement and at all times thereafter, Executive will retain in confidence all proprietary and confidential information concerning the Company and its Affiliates, including, without limitation, customer lists, cost and pricing information, employee data, trade secrets and software and, shall return to the Company or destroy all copies and extracts thereof (however and on whatever medium recorded), without keeping any copies thereof. The foregoing obligation with respect to the protection of confidential information shall not apply to (A) any information which was known to the Executive prior to disclosure to the Executive by the Company or any of its Affiliates; (B) any information which was in the public domain prior to its disclosure to the Executive; (C) any information which comes into the public domain through no fault of the Executive; (D) any information which the Executive is required to disclose by a court or similar authority or under subpoena, provided that the Executive provides the Company with notice thereof and assists, at the Company's sole expense, any reasonable endeavor by the Company, using appropriate means, to obtain a protective order limiting the disclosure of such information; and (E) any information which is disclosed to the Executive by a third party which has a legal right to make such disclosure. In no event shall an asserted violation of the provisions of this Section X. constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

- X. Successors.

- A. This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

- B. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.
- C. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after the Effective Date, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and, except for purposes of determining whether a Change of Control has occurred, shall include any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

XI. Miscellaneous.

- A. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.
- B. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

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If to the Executive:

If to the Company:

Deluxe Corporation
3680 Victoria Street North
Shoreview, MN 55126

Attn: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

- C. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.
- D. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.
- E. The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section IV.C. of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.
- F. The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section IV.H. hereof, prior to the Effective Date, the Executive's employment and/or this Agreement may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no

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further rights under this Agreement, provided that nothing herein shall be construed to limit or prevent the Executive from receiving compensation and benefits from the Company or its Affiliates that are customarily paid and provided other peer executives who leave the employment of the Company or any of its Affiliates. From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to benefits accruing to the Executive upon termination of employment following a Change of Control, recapitalization or other business combination, restructuring or reorganization.

- G. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the term of this Agreement (including, without limitation, those under Section V. hereof) shall survive such expiration.
- H. In the event that the Company is a party to a transaction which is otherwise intended to qualify for "pooling of interests" accounting treatment then (A) this Agreement shall, to the extent practicable, be interpreted so as to permit such accounting treatment, and (B) to the extent that the application of clause (A) of this Section XI.H. does not preserve the availability of such accounting treatment, then, the Company may modify or limit the effect of

the provisions of this Agreement to the extent necessary to qualify the transactions as a “pooling transaction” and provide the Executive with payments or benefits as nearly equivalent as possible to those the Executive would have received absent such modification or limitation, provided, however, to the extent that any provision of the Agreement would disqualify the transaction as a “pooling” transaction (including, if applicable, the entire Agreement) and cannot otherwise be modified or limited, such provision shall be null and void as of the date hereof. All determinations under this Section XI.H. shall be made by the accounting firm whose opinion with respect to “pooling of interests” is required as a condition to the consummation of such transaction.

- I. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Committee and shall be in writing. Any denial by the Committee of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth

the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Committee shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further allow the Executive to appeal to the Committee a decision of the Committee within sixty (60) days after notification by the Committee that the Executive’s claims has been denied.

- J. Notwithstanding any other provision in this Agreement to the contrary, the Board shall delegate the responsibilities, duties and powers specified under this Agreement to be observed or performed by the “Committee” to a committee (the “Committee”) consisting of not less than three individuals who, on the date six months before a Change of Control, were directors of the Corporation (“Incumbent Directors”), provided that in the event that fewer than three Incumbent Directors are available at the time of such delegation or thereafter, the Committee’s members may include such individual or individuals as may be appointed by the Incumbent Directors (including, for such purpose, by any individual or individuals who have been appointed to the Committee by the Incumbent Directors); provided further, however, the maximum number of individuals (including directors) appointed to the Committee shall not exceed five.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive’s hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

Deluxe Corporation

Executive

By: _____

Its: _____



Deluxe Corporation
 P.O. Box 64235
 St. Paul, MN 55164-0235
 (651) 483-7111

N E W S R E L E A S E

April 17, 2006

**DELUXE NAMES LEE SCHRAM
 NEW CHIEF EXECUTIVE OFFICER**

For additional information:

Raj Agrawal
 Treasurer
 Vice President,
 Investor Relations
 (651) 787-1068

Douglas J. Treff
 Senior Vice President
 Chief Financial Officer
 (651) 787-1587

St. Paul, Minn.—Deluxe Corporation (NYSE: DLX) announced today that Lee Schram, 44, has been named chief executive officer (CEO), succeeding Ronald E. Eilers, who has been serving in an interim capacity since November 2005. Lee is expected to assume his position by May 1. He joins Deluxe from NCR Corporation (NYSE: NCR), a leading global technology company based in Dayton, Ohio, where he is currently a senior vice president, and responsible for its \$1.3 billion Retail Solutions Division, including services.

“The board feels that it has been very fortunate in finding a CEO with Lee’s leadership abilities, experience, and values,” said Stephen Nachtsheim, chairman of Deluxe’s board. “From the very beginning of our search, we stated our commitment to finding an individual who could lead the Company’s growth strategies, manage the mature portions of the business, continue to look for new business opportunities, and fit with Deluxe’s values and culture. We believe Lee is the best person to drive Deluxe to excel in those areas.”

Deluxe’s strategy of delivering products and services to help small businesses and financial institutions succeed was solidified two years ago when Deluxe acquired New England Business Service, Inc. (NEBS). This strategy is designed to generate growth at Deluxe, as its core check product of more than 90 years continues to mature. Nachtsheim added, “While at NCR, Lee demonstrated his ability to transform a mature business beyond its core products, and we believe he is the perfect change agent to do the same for Deluxe.”

Schram has a proven transformational track record, having led two businesses requiring strong operational excellence, and by expanding core businesses into new growth solutions and markets. He was an industry technology representative called to testify before the House Finance Sub-Committee in support of the pending Check 21 legislation. In his most recent position, Schram completed several acquisitions that extended the core retail store automation business into exciting growth opportunities in new self-service segments and Radio Frequency Identification (RFID).

Schram said, “I am looking forward to leading a company with Deluxe’s reputation and long history. I deeply respect all that Deluxe has accomplished as an industry leader and important community partner in the Twin Cities, as well as the strong foundation created by its dedicated employees. I am confident that I will be able to draw from my NCR experience enhancing customer relationships, managing maturing businesses, and identifying new growth opportunities as we move Deluxe into the future.”

- more -

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Schram has 22 years of experience with NCR, having held a variety of positions of increasing responsibility, including general manager of its Payment and Imaging Division, and his most recent role as leader of the Retail Solutions Division. He has a Bachelor of Science degree in finance and accounting from Miami (Ohio) University and a Master of Business Administration degree from the University of Dayton. Schram, his wife, and two children will relocate to the Twin Cities area.

“I want to thank Ron Eilers for stepping in as interim CEO last November,” said Nachtsheim. “Ron’s flexibility has allowed us to take the time we needed to find just the right leader for Deluxe. He has graciously agreed to remain at Deluxe as long as necessary to assure a smooth transition.”

About Deluxe

Deluxe Corporation, through its industry-leading businesses and brands, helps financial institutions and small businesses better manage, promote, and grow their businesses. The Company uses direct marketing, distributors, and a North American sales force to provide 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 customer retention programs. The Company also sells personalized checks and accessories directly to consumers. For more information about Deluxe, visit www.deluxe.com.
